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**A PICTURE OF WORLD ECONOMIC
CONDITIONS**

STUDIES OF INTERNATIONAL PROBLEMS

PUBLISHED BY THE
NATIONAL INDUSTRIAL CONFERENCE
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A PICTURE OF WORLD ECONOMIC CONDITIONS



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PREFACE

THE broadening and deepening of American interest in foreign countries, which has resulted from developments in international trade and finance during the last decade, has sharpened the desire among Americans of many classes for better and more current information concerning economic conditions and tendencies abroad. Not only the greatly widened group of investors in foreign securities and the financial interests with which they are involved, not only exporters and importers and shipping interests engaged in keeping the vast stream of our international trade moving, but also American manufacturers producing goods either for foreign or home consumption are interested in the industrial-economic developments in foreign countries. As we become better informed about these developments, it is probable that a realization of the complementary character of the relationship between American and foreign economic life may rationalize the natural sense of rivalry with which American interest in foreign affairs has thus far so largely been imbued.

In pursuance of its function of assisting American industry by better knowledge of economic conditions and trends, the National Industrial Conference Board has felt it desirable to keep itself currently informed regarding conditions abroad. Accordingly, in each of the important foreign countries it is enlisting the cooperation of a number of men with intimate knowledge of, and wide experience and high standing in, the economic life of their respective nations as *Foreign Correspondents of National Industrial Conference Board, Inc.* Through these contacts, the Conference Board expects to receive at intervals reviews of current situations and significant developments in industrial, financial, commercial and labor conditions in these countries. Such information will be of general interest to all who are concerned with the trend of international economic affairs, and the Conference Board, with the consent of its Foreign Correspondents, feels that the occasional publication of material of this kind will serve a useful purpose both in stimulating keener interest in, and fostering better knowledge of, world economic conditions.

In the present publication—the initial step in this program—the Conference Board presents a summary review of conditions in the principal countries of the world, based upon special information received from its Foreign Correspondents and upon other authoritative sources. The countries are considered in this report in the following order: Great Britain, Germany, France, Italy, Belgium, Sweden, Canada, Cuba, Mexico, Argentine, Brazil, Chile, Colombia, Japan, Australia, Russia and China. For comparative purposes, a brief summary of economic conditions in the United States during the same period has been added. Following these summaries are reprinted the special reports received by the Conference Board from its Foreign Correspondents. So far, reports have come to hand from the Midland Bank of Great Britain, transmitted through the Rt. Hon. Reginald McKenna; from Mr. Franz von Mendelssohn for Germany; from Professor André Siegfried for France; from Signor Alberto Pirelli for Italy; from Messrs. Georges Theunis and Emil Francqui for Belgium; from Messrs. Marcus L. Wallenberg and Oscar Rydbeck for Sweden; and from Sir Henry W. Thornton for Canada.

In presenting this material, the Conference Board expresses its appreciation to these gentlemen for their generous assistance in providing American industry, through the National Industrial Conference Board, with a better understanding of conditions in their respective countries.

In the preparation of its studies the National Industrial Conference Board avails itself of the experience and judgment of the business executives who compose its membership and of recognized authorities in special fields, in addition to the scientific knowledge and equipment of its Research Staff. The publications of the Board thus finally represent the result of scientific investigation and broad business experience, and the conclusions expressed therein are those of the Conference Board as a body.

MAGNUS W. ALEXANDER,
President.

New York City,
October, 1928

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GREAT BRITAIN

This movement is gaining ground in Great Britain, the country of traditional business individualism. It is reflected in the formation of large trusts, like the Imperial Chemical Industries, Limited, and in the adherence of Great Britain to a number of international cartels and agreements, like the zinc cartel, the European rail cartel, the international copper cartel and the international rayon agreement. The progress of rationalization in some of the leading staple industries, of which the coal industry is the outstanding example, has been impeded by the existence of large numbers of unemployed workers, who are represented in strong labor organizations possessing great political power. The advantages of cooperative action, however, are being generally recognized and the tendency towards rational industrial consolidation has been sanctioned by the government and is receiving the support of the public.

Unemployment, Wages and Cost of Living

The Midland Bank reports that at the end of July the unemployed numbered 250,000 more than a year earlier. To this increase, the coal miners contributed 67,000; cotton, linen and wool workers, 60,000; and building and construction workers, 29,000. At the end of August, the total number of registered unemployed workers, according to the *Ministry of Labor Gazette*, amounted to about 1,367,000, as compared with 1,354,000 at the end of July, 1928, and 1,076,000 at the end of August, 1927. During the first seven months of this year, wage changes in the industries for which statistics are compiled by the Ministry of Labor resulted in net increases of 17,250 pounds sterling or 84,000 dollars in the weekly full-time wages of nearly 200,000 workers, and in net reductions of 120,000 pounds sterling or 584,000 dollars in wages of 1,107,000 workers. In the corresponding period of 1927, net reductions, affecting 1,698,000 workers, amounted to 308,000 pounds sterling or 1,500,000 dollars, while net increase in favor of 62,500 workers amounted to only 7,000 pounds sterling or 34,000 dollars. From January to September, 1928, the index of cost of living declined from 168 to 165, taking July, 1914 as 100.¹

The Position of Basic Industries

"The situation in the country's basic industries," the Midland Bank reports, "has been by no means gratifying. The coal industry which is perhaps the most severely depressed of all, has been producing a considerably lower output this year than last and it is becoming more and more apparent that the industry is permanently over-staffed."

The depression in the export side of the coal industry is serious. In the second quarter of 1928, the value of British coal exports was 9,800,000 pounds sterling or 47,700,000 dollars, as compared with 12,100,000 pounds sterling or 58,900,000 dollars in the corresponding period of 1927. This situation has resulted in the formation of various district marketing schemes for the purpose of controlling output and maintaining export prices. Furthermore, plans are now being developed for coordinating the activities of district organizations.

The condition of the iron and steel industry, the ship-building industry and the cotton industry is also disappointing, although recently the steel trade situation has been considerably improved by the placing of orders with British shipbuilders for the Canadian Pacific and White Star Lines, and by the expectation of orders from the Cunard Line. The depressed condition of the staple trades is in marked contrast with the flourishing state of Great Britain's newer industries—the artificial silk industry, the motor industry, the electrical industry, the cinema and gramophone industries. The explanation of this phenomenon lies partly in the fact that these newer industries are dominated by powerful, although not monopolistic, combinations which are able to prevent uneconomic competition, take advantage of technical improvements, and adjust their output to actual demand.

Attitude of Workers towards Industry

Regarding the attitude of industrial workers towards industry, the Midland Bank emphasizes the remarkable progress made recently towards a better understanding between the employers and workers: "It is a hopeful sign that relations between employers and workers appear to be

moving towards a higher degree of friendliness and mutual confidence. The first joint conference of a representative group of employers and the General Council of the Trades Union Congress was held early this year, with the declared object of discussing the entire field of industrial reorganization and industrial relations, in order to assist in the restoration of trade prosperity and bring about an improvement in the standard of living. An interim report was issued on the occasion of the second meeting of the Conference, held in July. Among other matters on which resolutions have been adopted are those of trade union recognition and rationalization. In addition, in April, a memorandum on monetary policy was issued. But probably the most important outcome of the work of the Conference is the proposal to set up new machinery of conciliation for the settlement of points of disagreement between employers and workers."

An example of this better spirit is the successful outcome of the negotiations between representatives of the railways and of the workers, which resulted in agreement on a $2\frac{1}{2}\%$ deduction from all wages, salaries and directors' fees, which is estimated to result in a saving of over two million pounds sterling or ten million dollars to the railroads during the coming year. This movement for cooperation between capital and labor was further advanced on September 6, 1928, when the Trades Union Congress by a very large majority approved the cooperative attitude of its General Council regarding the negotiations between organized labor and an important group of manufacturers headed by Lord Melchett (formerly Sir Alfred Mond). The official title of the body representing employers and workers is "The Conference on Industrial Reorganization and Industrial Relations." It speaks for over 4,000,000 workers and represents about 1,000,000,000 pounds sterling or 5,000,000,000 dollars of capital invested in British industries. National conferences are not a new thing in England, but formerly they have been called into existence by government action and interference in times of industrial distress. In other words, the purpose of previous conferences was to prevent deadlock and strikes, while the characteristic feature of the new movement is an attempt to determine, on the basis of scientific re-

search, the position and responsibilities of labor, management and capital.

Development of Foreign Trade

An encouraging sign in the British situation is the improvement which has taken place this year in foreign trade. During the first seven months of the year, imports have been running at a lower level than a year ago, while exports of British products have been appreciably higher, the net effect of these developments being to reduce the visible adverse balance on merchandise account by about 27,500,000 pounds sterling or 134,000,000 dollars. It is significant that the greatest part of the increase in exports occurred in a few groups of highly finished products, such as textile machinery, sewing machines, rail locomotives and motor cars.² The increase in exports continued through the month of August, when they amounted to about 62,200,000 pounds sterling or 302,000,000 dollars, or 2,800,000 pounds sterling or 13,600,000 dollars more than in August, 1927. Exports of iron and steel increased by 576,000 pounds sterling or 2,800,000 dollars; machinery by 512,000 pounds sterling or 2,500,000 dollars; cotton textiles by 216,000 pounds sterling or 1,100,000 dollars; wool textiles by 416,000 pounds sterling or 2,000,000 dollars; chemicals by 361,000 pounds sterling or 1,754,000 dollars, and vehicles by 410,000 pounds sterling or 2,000,000 dollars.³ On the basis of these figures the conclusion of the Midland Bank that "British goods appear to be recovering some of their marketability in overseas countries" is fully justified.

The Position of Agriculture

British agriculture shows no signs of recovering from the depression which has persisted for some years past. Farmers, however, along with industry generally are expected to benefit from the new rating proposals. The Rating Reform⁴ was introduced in the Budget in April to mitigate and equalize the burden of local tax rates on productive industry, including railways, harbors, docks and canals, but excluding public utilities, and on all agricultural land and buildings. According to this reform three-quarters of the rates on in-

dustry and all the rates on agriculture would be remitted out of central funds. An important provision affecting railroads is that the aid which they thus receive from the government will be passed on to agriculture and to certain industries. In addition to tax relief, the government has introduced a bill for the provision of more adequate long-term and short-term credit facilities for farmers. The Midland Bank recognizes quite frankly, however, "that this legislation does not in any sense go to the root of the troubles of British agriculture and can act at best merely as a palliative."

British railroads have suffered serious losses as a result of road transport competition. It was disclosed in a parliamentary inquiry, in connection with a bill to permit the railways to engage in bus transportation, that in 1927 the London, Midland and Scottish Railway lost 15,000,000 passengers and 50,000 season ticket holders because of road transportation, a loss of 1,986,000 pounds sterling or 9,700,000 dollars in revenue. In the same year, the London and North Eastern Railway lost 39,000,000 passengers and 47,000 season ticket holders, resulting in a decline of 1,400,000 pounds sterling or 6,800,000 dollars in revenue. The losses suffered by the Great Western Railway and the Southern Railway amounted to 795,000 pounds sterling or 3,900,000 dollars and 354,000 pounds sterling or 1,700,000 dollars respectively.⁵

GERMANY

Perhaps no other development in the economic life of Germany in recent years has attracted such world-wide attention as the growth of large concerns and trusts and the extension of the international ramifications of German industry. There is no international agreement or cartel of any importance in Europe in which Germany is not represented, while it has more than two thousand domestic cartels and a number of gigantic trusts, like the Vereinigte Stahlwerke A.G., or United Steel Works, and the Interessengemeinschaft Farbenindustrie, which is commonly called the Dye Trust. This consolidation movement is a part of the broad rationalization program adopted by German industry since the sta-

bilization of the mark and has been largely responsible for Germany's remarkable industrial recovery.

Post-War Recovery of Industry and Trade

Although under the provisions of the Treaty of Versailles, Germany was deprived of an important part of her coal resources and of practically all of her iron ore supply, production of coal, pig iron and steel at the present time is larger than in 1913, if comparison is made on the basis of the present territory, and it compares favorably with the 1913 output of the former German Empire. The value of German foreign trade has reached the pre-war level.⁶ During the first eight months of this year, the value of German exports was 7,477 million reichsmarks or 1,781 million dollars, while imports amounted to 9,468 million reichsmarks or 2,255 million dollars. During the corresponding period in 1927, the value of exports was 6,468 million reichsmarks or 1,540 million dollars, and that of imports 9,176 million reichsmarks or 2,186 million dollars. In August, 1928, Germany had an export surplus for the first time since September, 1926, exports (including deliveries in kind on reparations account) exceeding imports by about 46,000,000 reichsmarks or 10,960,000 dollars.

Reparations

The arrival of the fifth reparation year, when German payments under the Dawes Plan are to reach their maximum figure of two and one-half billion marks or 595 million dollars has so far caused no special concern in Germany. This is no doubt due to the belief that these payments will not have to be made entirely out of current national savings and a present export surplus, because of the help afforded by long-term foreign loans. During the first four years of the Dawes Plan, according to a reliable estimate, Germany borrowed from 8,600 million marks to 9,300 million marks or from 2,048 million dollars to 2,215 million dollars, while it paid 4,700 million marks or 1,120 million dollars in reparations.⁷ These figures are significant in so far as they indicate that as yet no final test has been made of Germany's ability to

fulfill her obligations under the Dawes Plan out of her own resources.

In connection with reparation payments, it is significant that the Federal Railways Court in a recent decision has overruled the objection of the Cabinet to an increase in fares and rates of the German federal railroads which are due to contribute 660 million marks or 157 million dollars towards these payments in the fiscal year beginning September 1, 1928 and ending August 30, 1929. The average increase in rates and fares under the decision is about 11% and will result in an annual increase of 250 million marks or 60 million dollars in railroad revenue. The Court in allowing the increase felt that the prosperity of the roads would act as a stimulant to general business prosperity, while existence of railway deficits would have the opposite effect. The objection of the Cabinet to an increase in rates was based on the view that it would force prices upward and would therefore unfavorably affect industry and export trade. The increase becomes effective on October 1, 1928. The official index number of wholesale prices, in spite of the impending rise in railroad rates and fares, declined from 142.2 on August 8 to 139.8 on September 12 of the present year, whereas in 1927 there was a rise during the same period from 135.0 to 139.6.⁸

Wages and Cost of Living

Wages for skilled and unskilled labor in Germany have been increasing steadily during the last few years. The index number of hourly wages of skilled labor in twelve industries (1913 = 100) stood at 160.7 on May 1, 1928, as compared with 156.4 a month earlier, 153.7 for the first quarter of 1928, 146.1 for 1927, and 130.8 for 1925. The index of the cost of living for 1925 was 139.6; for 1927, 147.6; for the first quarter of 1928, 150.7; and for May, 1928, it was 150.6. These statistics of wages and living costs indicate that the present level of real wages, that is the domestic purchasing power of wages, in Germany has surpassed that of 1913.⁹

Industrial Activity and Employment

According to the Conference Board's Foreign Correspondent, Mr. Franz von Mendelssohn, industrial activity during

the first half of the current year was maintained on a level which so far as production and distribution of goods are concerned was not far behind that prevailing during the corresponding period a year ago and which in some cases even exceeded it. During the first quarter of 1928, the index of production, computed by the Institut für Konjunkturforschung stood at 128.4 (1924-1926 = 100), as compared with 121.9 in the first quarter of 1927. In the second quarter of the present year, however, the index declined to 121.4 from 122.5 a year ago.

"This relatively favorable development in the first half of this year," Mr. von Mendelssohn writes, "is reflected in the employment and production figures. The number of unemployed in receipt of relief, which in January, 1926 was 2,031,000 and 1,827,000 in January, 1927, was considerably smaller in January, 1928, with 1,333,000. During the period under consideration it continually decreased to 611,000 in June. This, however, is not nearly so low as the figure of 541,000 for June, 1927, which is an indication that the employment possibilities have greatly decreased as compared with the preceding year . . . today the number of unemployed . . . must be regarded as a particularly difficult problem of German industry. As a result of the demobilization of the army, the economic ruin of the class living on private incomes and the increase in female labor due to economic necessity, the number of persons forced to seek employment has increased by 3,500,000, as compared with the pre-war period, in spite of the losses incurred during the war. Furthermore, the adoption of labor-saving rationalization methods operates for the time being against a relief of the labor market."

Mr. von Mendelssohn stresses the necessity of a European coal agreement as a solution of the difficulties which beset the German coal industry at the present time. Competition from British and Dutch coal is being felt even in those domestic markets which the Ruhr coal industry had hitherto considered non-competitive. In spite of this competition, however, the production of anthracite coal during the first half of this year amounted to 76,000,000 tons or practically the same as a year ago. The monthly output, however, de-

clined from 13,400,000 tons in January to 11,800,000 tons in June, 1928. This was due partly, as Mr. von Mendelssohn points out, to a considerable wage increase in the Ruhr mining district, which decreased the competitive ability of the coal industry, and partly to the declining domestic demand for coal.

The production of pig iron amounted to 6,856,000 tons during the first half of 1928, as compared with 6,366,000 tons a year ago, while raw steel output was slightly lower. The rolling mill industry was helped by better world demand for its products, increased exports offsetting the decline in domestic consumption. The same is true, although not to an equal degree, of the machine industry where foreign demand helped to maintain a relatively high level of activity. The position of the semi-finished metal industry is satisfactory. The consumption of copper, for example, increased from 161,000 tons in the first six months of 1927 to 180,000 tons in the corresponding period this year. The consumption of cotton during the crop year August 1, 1927 to July 31, 1928, amounted to 1,585,000 bales, as compared with 1,420,000 bales in the preceding year. The average annual consumption of cotton in pre-war Germany from 1908 to 1913 was 985,000 bales. Thus the 1927-1928 figure for cotton consumption establishes a record never before reached.

The Condition of Agriculture

Crop failures during two successive years, 1926 and 1927, have placed German agriculture in a difficult position. Crop returns this year are expected to exceed those of 1927, if the weather remains favorable, but prices of agricultural commodities during the first half of this year have been below the level of a year ago. German farmers are operating at an unsatisfactory margin of profit. The Reichs-Kredit-Gesellschaft reports that the urgency of the demand for capital has continued. The farmers have undertaken the payment of high interest rates, not so much with the hope of profit, but based on the desire to make a living, to increase the efficiency of capital already invested, and to enable the maintenance of their business. The problem of increasing the agricultural margin of profit still remains to be solved.

In this connection, the Reichs-Kredit-Gesellschaft states that there seem to be many opportunities open for improving the production and distribution of certain farm products, such as meat and milk.⁹

According to all indication, Mr. von Mendelssohn concludes, the condition of the German industry during the first half of 1928 has been satisfactory. But he points out that this achievement would not have been possible without the help of foreign loans and that without that help the present satisfactory position can not be maintained.

FRANCE

The economic position of France is radically different from that of Great Britain and Germany. With the legal stabilization of the franc in May, 1928, the so-called period of reconstruction was ended and the "return to normalcy" became an accomplished fact. Business seems to have adjusted itself to this new state of affairs, but in the future French producers will have no such incentives as constantly depreciating currency and, as the Conference Board's Foreign Correspondent, Mr. André Siegfried, points out, they will have to rely simply on their own merits.

Development of Exports

The most striking thing about the French situation is the tremendous growth of exports, absolutely and relatively to imports. Before 1914, France was one of the leading creditor nations of the world and as such could afford to have an adverse balance of merchandise trade. At the present time, she must depend to a larger extent on her exports of goods and services for the remittance of her foreign payments. Since 1924, France has had a favorable balance of trade—a fact practically unknown in the pre-war commercial history of that country. From 1913 to 1928, imports to France increased 25% in value, whereas during the same period the value of exports rose 60%. In 1913, France purchased from its colonies and foreign countries 18.3% more than it exported to them. If the unfavorable balance of trade recorded during the first seven months of this year continues at the same rate, exports which in 1913 amounted to 6,800,000,000 gold francs of

former value or 1,328,000,000 dollars should this year reach 50,500,000,000 francs of present value or 1,980,000,000 dollars or 10,000,000,000 francs in terms of pre-war currency. Exports of machine-made products since 1913 show an increase over 250%; chemical products, 140%; pottery and glassware, 62%; exports of combustibles are three times greater; and exports of mineral ore have doubled. Total exports of iron and steel products during the first six months of this year amounted to 2,286,000 tons, as compared with total exports of pig iron, iron and steel of 1,008,000 tons during the entire year 1913.¹⁰ In addition to her increasing exports of goods, France derives a large income from tourist expenditures. During the past five years, American tourists alone spent an average of 250,000,000 dollars a year in France.

The remarkable development of foreign trade, of course, is the result mainly of the return of Alsace and Lorraine, which has enabled France to develop new industries, particularly the iron and steel and the potash industries. The fact of chief concern to American business men in this connection is that mass production, as compared with luxury or quality production, is being developed in France and threatens to make more difficult further expansion of American exports of finished manufactures. France must be included with Great Britain and Germany as a serious contender for a share of world markets.

Unemployment, Prices and Wages

An unemployment problem practically does not exist in France. In June, 1928, the number of unemployed receiving benefits was only 1,659. The general index of wholesale prices increased from 617 at the end of 1927 to 646 in May, 1928; but in July and August, it declined to 637 and 629 respectively. The index of retail prices stood at 540 at the end of August, as compared with 547 at the end of July, and 530 in January, 1928.¹¹ Wages have on the whole kept pace with, or even exceeded, the upward movement of prices.

The present situation in France may be stated in the concluding remarks of Mr. André Siegfried: "France has had to overcome two great crises; the crisis of the war and the crisis of reconstruction. The country has paid for these two crises

by a third one, which was the monetary crisis. Every sensible Frenchman admits that the depreciation of the franc has been the necessary condition of the recovery of the nation because it automatically lightened burdens which would have otherwise been intolerable. After such ordeals France felt that it was impossible to face a new crisis of adjustment in the form of a revalorization. That is why the year 1928, with the stabilization of the franc, may be safely considered not only the closing of a period but also the beginning of a new one. The thrift of several generations has been partly and even largely wiped out, but the equipment of the country is again in good order and probably in better condition than before."

ITALY

While in Italy the feeling of optimism is not so strong, the report of the Conference Board's Foreign Correspondent from Italy, Mr. Alberto Pirelli, shows that that country is making great efforts to adjust itself to the new level of values and prices brought about through the government's policy of deflation and currency stabilization.

Development of the Guild State

Undoubtedly, the most striking feature of the situation is the gradual development of the Guild State, its outstanding characteristic being the parallelism secured between employers' and workers' organizations in all branches of business activity. In this new industrial organization, each union or syndicate of employers is matched by a similar organization of employees, both legally recognized and both under the control of the State. In no country are the employers so systematically organized as in Italy. Forty-nine National Federations, composed of 66,557 firms employing 1,750,000 persons, are affiliated with the General Fascist Confederation of Italian Industries, which thus represents 62% of all Italian manufacturers employing 82% of all industrial workers.¹²

Industrial Relations and Rationalization

Whatever criticisms may be directed against this policy of government-enforced cooperation between management

and workers and whatever its repercussions may be in the future, it is clear that industrial disputes in Italy are practically non-existent; and, if they occur, they are settled by agreement or, in the last resort, by the courts. This effective removal of the danger of strikes and lock-outs has enabled Italian business men to concentrate on the great task of improving output and decreasing production costs. On this point Mr. Pirelli writes: "The trend in business is toward concentration and rationalization with a view to reducing production costs. The government favors amalgamations by reducing registration fees on them to a fixed minimum charge (10 lire) up to the end of June, 1929. Important amalgamations have taken place in the shipping, hydro-electric, chemical, textile, and rayon industries, and others are announced for the automobile and engineering trades."

In this respect, the tendency in Italy is no different from that in Germany, Great Britain and France; but the situation in Italy is radically different, since all productive energies are integrated in the State which in formulating business policies gives equal consideration to agriculture and industry, to labor and management. "The fate of rationalization," the Minister of National Economy stated recently, "which in its initial phase reduces employment, must be regulated in Italy by the conditions of the labor market." But the Minister emphasized the necessity of rationalizing as quickly as possible certain industries, particularly the Italian steel industry. There are over sixty blast furnaces and foundries in Italy; half this number with one-third of the present labor force could produce the present output, the Minister pointed out. The position of the engineering industry could also be improved by rationalization.¹³ The prosperous conditions of the Italian rayon industry—whose yearly output is now second only to that of the United States—is due principally to the excellence of its management, which is in the hands of large concerns and thus able to secure all the benefits of technical advancement, most up-to-date machinery and imaginative leadership.

While it is too early to form an opinion regarding the probable success or failure of this unexampled attempt on the part of a government to reorganize the entire economic-

industrial life of the country, there is no doubt that the results so far have been positive. The stabilization of the lira, in December, 1927, was a painful operation on the economic body, but it has inaugurated a period of convalescence, of adjustment which bids fair to place Italy on a sound economic basis. The Labor Laws which prohibit strikes and lock-outs have worked smoothly. Mr. Pirelli reports that wage "adjustments have been effected by agreement; on only two occasions, one of which concerned agriculture and the other the merchant marine, has recourse been had to the Labor Courts."

Unemployment

An indication that Italian industry is gradually adjusting itself to the new conditions is found in the steady decline in unemployment during the first part of this year. The number of wholly unemployed in June was 247,021 as compared with 439,211 in January, 1928. The number of workers partially unemployed declined from 76,327 in January to 30,296 in June, 1928. All industries, with the exception of the textile trades, have contributed to this increase in employment.¹⁴

Foreign Trade

One of the chief problems that Italy faces at the present time is the maintenance of the lire at parity in the face of an adverse trade balance without the help of foreign loans. During the first eight months of this year, the excess of imports over exports amounted to 5,200,000,000 lire or 273,000,000 dollars, which is 470,000,000 lire or 24,800,000 dollars greater than the adverse trade balance during the entire year 1927. Italian trade with the United States accounts for 44% of the adverse balance.¹⁵ Exports of agricultural products, following the harvest season, are expected to reduce the excess of imports in the coming months.

Agriculture

Italian agriculture, as well as industry, has felt the effects of deflation. Integral land reclamation is an important part of the Government's program of aid to agriculture. The cost

of land reclamation projects is borne partly by the State through the payment of interest on the capital loaned. This contribution was fixed at 3.5% for loans raised for land reclamation in the provinces of Ferrara and Rovigo, where, according to the General Fascist Confederation of Italian Industries, "intensive farming on small units worked by a fixed farming population will replace the extensive agriculture hitherto carried on by wage laborers, a class among whom unemployment is always prevalent."¹⁶ The expectation of a large wheat crop this year has had an unfavorable effect on prices, and the government has decided to raise duties on wheat approximately nineteen cents a bushel in order to maintain a higher level of domestic prices.

BELGIUM

Rationalization of Industry

The rationalization movement, fostered largely by banks and supported by industry, to curb excessive competition has taken strong foothold in Belgium. Two banking houses—the Société Générale and the Banque de Bruxelles control companies whose aggregate capital amounts to ten billion francs or nearly two billion dollars, half of the total nominal capital of Belgian companies. These banks also own 23% of the shares of Belgian colonial companies and control 90% of these enterprises. Together with a group of metallurgical companies, they control most of the coal mines where concentration has been most pronounced. In cooperation with French financial organizations, they have advocated amalgamation and formed selling pools among the iron and steel works of the country, and today the Société Générale controls companies operating 65 of the 94 blast furnaces owned by the Belgian-Luxemburgian Economic Union.

Six amalgamations in the chemical industry have been brought about in one year. The most important of these is the Union Chimique Belge, a merger of four companies, which is allied to a French combine and to the Imperial Chemical Industries, Ltd., by interlocking directorates. The same tendency toward concentration is present in the blown-glass industry, and the motor car industry, while

several Belgian industries, like the artificial silk, the margarine, and the match industries, are more or less under the control of foreign trusts and cartels. Furthermore, Belgium is a party to several international agreements, affecting such products as sheet-glass, cement, copper, zinc, phosphorus, pig iron, steel rails, benzine and glue.¹⁷

The concentration movement in Belgium, which may be observed in every industrial country in Europe, is a distinct departure from former practice and is partly the result of natural forces of industrial evolution and partly the result of the necessity of adhering to international agreements. In any case, it is another sign that the leaders of industry in Europe are combining their forces, fairly unhampered by legal restrictions and generally supported by their workers and by the public.

Foreign Trade

Belgian foreign trade has shown considerable improvement this year as compared with a year ago. Imports amounted to 17,818,000,000 francs or 494,940,000 dollars during the first seven months of 1928, as compared with 16,799,000,000 francs or 466,600,000 dollars during the corresponding period of 1927. The value of exports increased from 14,550,000,000 francs or 404,600,000 dollars during the first seven months of 1927 to 16,681,000,000 francs or 463,800,000 dollars in the same period this year.

Industrial Activity

Messrs. Georges Theunis and Emil Francqui, the Conference Board's Foreign Correspondents, report from Belgium that the economic position in that country is sound. Belgian industries are generally active. The iron and steel industry is particularly prosperous as a result of extraordinary demands from India, Japan and China, which are reflected in sharp increases in prices of all categories of metallurgical products. The coal industry has not yet reached a sound position, although the situation at present is better than in 1927. The industry has been greatly expanded as compared with 1913. The average monthly production of coal increased from 293,583 tons in 1913 to 448,877 tons in

1927. The industry is undergoing a process of rationalization; production is being confined to the more profitable pits and veins and economy in the use of labor is being stressed. From February to September, 1928, the number of workers in the mines declined from 180,000 to 156,000.¹⁸

SWEDEN

Industrial Disputes

Both of the Conference Board's correspondents from Sweden, Messrs. Marcus L. Wallenberg and Oscar Rydbeck, give most prominent place in their reports to labor conflicts in some of the most important staple industries—wood, paper, pulp and iron ore. These disputes, resulting in strikes and lock-outs, have caused an interruption in the favorable trend of business in 1927. An agreement was reached in the paper and lumber industries on April 8, 1928, and has somewhat eased the general situation. The strike in the mining industry, however, was more serious and was not settled until this fall.

Foreign Trade

The stoppage of work in these industries, which account for nearly 50% of the country's exports, has greatly affected the balance of trade during the first part of the year. During the first five months, Mr. Wallenberg reports, the excess of imports over exports amounted to 200,000,000 kronor or 53,600,000 dollars, as against only 41,000,000 kronor or 11,000,000 dollars in the corresponding period a year ago. This has naturally caused a drain on the foreign exchange reserves of the banks. The holdings of foreign currencies of the bank of Sweden declined from 260,000,000 kronor or 69,700,000 dollars in January, 1928, to 135,000,000 kronor or 36,200,000 dollars in April. The branches of industries unaffected by the labor conflicts have been in a rather favorable state of trade. The improvement has been most promising in the engineering industry.

Unemployment Problem

Regarding the unemployment situation Mr. Rydbeck writes: "The unemployment figures are still high in com-

parison with pre-war conditions, but they are lower than in 1927. The problem of how to deal with the unemployed has been the subject of discussions and investigations ever since the post-war slump, and a committee which was appointed in 1926 and consisted of economists and representatives of employers and workers has recently published its report which deals mainly with the question of unemployment insurance, labor exchanges, etc. The committee have not been able to present a unanimous report, since several members felt that recent experiences in England have shown the risks and disadvantages of the unemployment insurance. They have, however, worked out alternative schemes for compulsory and voluntary insurance against unemployment, but the cost of these schemes to the State is so high that there is very little prospect that the Government will take up either of them. The unemployment question has once again proved to be one of the social problems which are the most difficult to solve."

CANADA

The most optimistic report on the state of trade was received from the Conference Board's Foreign Correspondent for Canada, Sir Henry W. Thornton, who writes: "Economic conditions and trends revealed during the first six months of 1928 are eminently satisfactory and fully justify the feeling of optimism which has been persistent for some time past throughout the Dominion of Canada." The outlook for the important crops has never been better than at present. Activity in practically all branches of production continues at a high level. Mineral output is large; production of gold, copper and lead is increasing; iron and steel manufacturers are very active; textile mills report capacity operation although working under the strain of foreign competition; the volume of retail business is high. American tourists, it is estimated, will spend not less than \$200,000,000 in Canada this year. This amount will tend to offset the adverse balance of trade with the United States.

Building and Transportation

The value of building permits for sixty-three Canadian cities during the first half of 1928 was 101,606,000 dollars,

as compared with 80,843,000 in the corresponding period of 1927. Business prosperity is also reflected in the favorable trend of railway earnings. Gross earnings of the Canadian National and Canadian Pacific Railways which operate over 80% of Canadian railway mileage, increased from 195,699,000 dollars in the first six months of 1927 to 212,184,000 dollars in the corresponding period this year. The Canadian Bank of Commerce points out that this increase does not fully indicate the increased volume of traffic handled because of rate reductions put in effect during the summer of 1927.

Employment

Over 80% of industrial workers in Canada are employed in manufacturing, transportation and construction industries. Taking July, 1924 as 100, the index number of employment in manufacturing industries increased to 112 in July, 1927 and 120 in July, 1928; the corresponding figures for transportation are 105 and 108; for construction, 134 and 150; for trade 116 and 128; and mining, 102 and 108.

Increase in Purchasing Power

General prosperity of Canada is reflected in the remarkable increase in luxury and special imports during the last few years. The total value of these imports, according to the Royal Bank of Canada, rose from 25,331,000 dollars in the fiscal year ended March 31, 1923 to 43,314,000 dollars in the year ended March 31, 1928. During the same period imports of farm implements and machinery increased from 8,424,000 dollars to 29,636,000 dollars; imports of petroleum from 397,604,000 gallons to 709,914,000 gallons. The new sales of automobiles increased in value from 56,000,000 dollars in 1924 to 105,000,000 dollars in 1927. The increase in purchasing power has enabled the Canadian people to expand their investments abroad and to regain the control of a number of industries previously controlled by foreign interests. During 1927 the Canadian public bought 50,000,000 dollars' worth of foreign bond issues and repurchased 12,000,000 dollars' worth of Canadian public securities from

British holders. Canada's investments abroad at the beginning of 1927 amounted to 1,300,000,000 dollars, while foreign investments in Canada were 5,500,000,000 dollars.¹⁹

There are, however, certain dangers behind this general picture of prosperity. In the first place, the prospect of bountiful harvests this year and a large carry-over from last season in Canada, as well as generally good crop conditions in the northern hemisphere, have caused a decline of one-fifth in the purchasing value of wheat during the three months—June, July and August. The index of the Bank of Nova Scotia for July stood at a lower figure than at any time during the last four years. In the second place, the requirements for crop moving purposes will exert a great demand upon the loanable funds of the banks which are already, in view of the general business activity, well employed. It is likely, therefore, that the peak of activity has been reached and that a recession may be expected before the upward course is again resumed.

CUBA

The general condition of business in Cuba is not promising. The sugar industry has not yet recovered from the business disorganization of 1920. A number of firms of recognized business integrity and ability may be forced out of business. Their rehabilitation was prevented by increasing contraction of Cuba's buying power and by continued low prices and uncertainty of the sugar market. In those sections of Cuba, however, which are not dependent for their prosperity on the sugar industry alone, business is generally prosperous. The province of Oriente, for example, although it is a large producer of sugar, derives a considerable part of its income from its fruit plantations, coffee production, cattle raising and dairying, tobacco culture, and from the production of iron ore, copper and lumber. Similarly, in Pinar del Rio business prosperity is maintained by a good tobacco crop and by a satisfactory production of vegetables.²⁰

The diversification of agriculture, which is one of the primary conditions of Cuban economic stabilization, will be greatly facilitated by the development of an adequate system of highways which is now in the process of construc-

tion. The work on the Central Highway of Cuba, which will connect the Province of Pinar del Rio with Santiago de Cuba, on the other side of the island, is progressing steadily. The construction of this highway is to cost \$76,000,000, but the government's twenty-year special-tax program will yield about \$320,000,000, and the surplus will be expended on other public works, including lateral roads, sewerage systems, public buildings and school houses. The lateral roads will connect the Central Highway with ports on the northern and eastern coasts of Cuba and will make possible the marketing of farm products which could not be converted into cash because of lack of transportation facilities. Of course, improvement in marketing will enable the farmers to secure credit facilities that will help them to conduct their business along modern lines.²¹

The value of Cuban foreign trade declined from \$324,546,617 in the first six months of 1927 to \$258,761,329 in the corresponding period of 1928, a decrease of 20%. During the first half of this year exports amounted to \$149,570,593 and imports to \$109,190,736, as compared with \$185,365,476 and \$139,180,541 respectively in the corresponding period a year ago. The decline in exports was due principally to smaller shipments of sugar at lower prices than in 1927.²²

MEXICO

In Mexico, the lack of political stability since the revolution of 1911 has prevented the development of Mexican industry and trade along efficient and modern lines. Since 1920, however, Mexico has enjoyed a period of relative government stability, which, it is hoped, may ultimately place the country on a sound economic and social basis.

So far this year there has been no improvement in the general economic position of the country. Continued drought, especially in the northern part of the country, has considerably affected the crops. The cotton crop, however, is expected to be larger than a year ago in spite of the fact that two-thirds of the crop in the Laguna district was destroyed by frost and a hurricane in April. The district was replanted and cotton acreage increased. As a result of

labor troubles, a number of large cotton mills at Orizaba, Vera Cruz, have closed down. The production of sugar during the past season amounted to about 180,000 tons, somewhat below last year's yield. The sugar producers, however, expect a satisfactory year in view of the favorable Mexican price of sugar.²³

The financial position of the government has been materially weakened by the shrinkage in oil revenues due to a steadily declining production of oil. In 1922, the government received about 85,000,000 pesos or 41,140,000 dollars in oil revenues, as compared with 22,000,000 pesos or 10,384,000 dollars in 1927. This year there may be a further decline as a result of lower production. Production of oil decreased from a peak of 200,000,000 barrels in 1921 to about 60,000,000 in 1927,²⁴ and has been appreciably lower during the first eight months of 1928 than a year ago. The situation, however, may be expected to improve as confidence in the industry and in the stability of the government increases.

SOUTH AMERICAN COUNTRIES

In South America, a generally satisfactory economic situation prevails in Argentina, Brazil, Chile, Colombia, and Peru, but in practically all other countries business is below average. The economic significance of these countries lies mainly in the fact that they, being industrially undeveloped, are important purchasers of manufactured goods from the United States and from Europe. International competition for South America markets is growing keener, and while the United States still remains by far the most important single source of exports to South America, its position in many export lines is by no means impregnable and may become seriously endangered by over-confidence.

Argentina

The increased purchasing power of the Argentine people has resulted in a 33% increase in imports of automobiles and 81% increase in imports of trucks from the United States during the first eight months of this year as compared with the corresponding period a year ago. European exports

of automobiles to Argentine increased by only 7%, while exports of trucks declined by 13%.²⁵ During the same period, however, Argentine has been purchasing increasing quantities of iron and steel products from Europe, and the value of her imports from the United States has declined. As the rationalization movement spreads through Europe, even keener competition from that quarter in the South American market for semi-finished and finished manufactured goods may be expected.

The condition of the crops is promising. The area planted to cereals is officially estimated at 34,232,000 acres, showing an increase of 2,635,000 over 1927. The acreage planted to rye is 29.1% greater; oats, 13.9%; barley, 7.6%; wheat, 5%; and linseed, 4.7%.²⁶ The sugar crop this season is estimated at 415,000 tons, an increase of 5,000 tons over a year ago. Production of oil during the first six months of this year amounted to 4,133,000 barrels over the amount produced during the corresponding period of 1927.²⁷

Brazil

The condition of business in Brazil during the first half of 1928 has been more favorable than at any similar time during the last few years. Crop prospects have been promising, with generally satisfactory prices. The value and volume of exports and imports have been greater during the first six months of this year than in any corresponding period since 1923. Brazilian exports amounted to 235,866,000 dollars and imports to 210,161,000 dollars, leaving a favorable balance of 21,705,000 dollars. During the first six months of 1927, the value of exports was 193,034,000 dollars and imports 186,561,000 dollars. The increase in the total value of Brazilian foreign trade during the two periods amounted to 66,432,000 dollars.²⁸

While the United States is still the principal source of exports to Brazil, the value of Brazilian imports from the United States declined from 101,000,000 dollars in 1926-1927 to 87,000,000 dollars in 1927-1928, owing to increased Brazilian purchases of coal, locomotives, rails and other manufactured articles from Europe, mainly from Great Britain and Belgium. During the first half of 1928, Brazilian

imports of fuels from the United States amounted to 37,113 tons as compared with 344,013 tons in the corresponding period of 1927. The figures for Great Britain are 698,000 tons in the first half of 1928 and 428,062 tons in the first six months of 1927. The recuperation of the British coal industry after the strike of 1926 has reduced American exports of coal to Brazil to insignificant proportions.

The Brazilian import trade in iron and steel products is dominated by Belgium, which in 1927 accounted for 42.6% of the total imports of iron and steel products of Brazil. The share of the United States in this trade was 24.3%; that of Great Britain, 17.9%; and that of Germany, 4.6%. But while the participation of Belgium and the United States remained practically unchanged in 1927 as in the preceding year, the share of Great Britain increased 100% during the same period. The growth of Brazilian foreign trade indicated that the country's economic position is steadily improving. The stabilization of the milreis in 1926 has contributed greatly to the general improvement in economic conditions. While Brazil is still primarily an agricultural country, producing coffee, corn, cocoa, sugar, cotton and tobacco, the country has an abundance of mineral reserves as yet untouched, which may later serve as the foundation of an industrial civilization.²⁹

Chile

Business conditions in Chile are showing signs of steady improvement. Banking and financial conditions are favorable. The condition of crops is satisfactory and prices for farm products are remunerative. The stabilization of Chile's most important national industry—nitrate of soda—through the support of the government is expected to have a favorable effect on the entire economic system of the country. With the approval of the government, the nitrate producers have formed a central selling organization, the Nitrate Producers' Association, which will facilitate exports, fix prices and maintain adequate stocks. The directors of the association will assign the different markets among the producers and will determine the quantity which may be exported to each market. They will also fix prices, terms of payment and

other conditions with which nitrate producers or merchants must conform. The government has the right to veto prices or conditions of sale.³⁰

The improvement in the economic position of the country is reflected in the more satisfactory development of foreign trade. During the first half of 1928, the value of exports was 989,200,000 pesos or 120,290,000 dollars, while imports amounted to 533,400,000 pesos or 64,860,000 dollars. The value of seven principal exports, copper, nitrate, iodine, wool and sheep hides, barley, beans, and frozen meats, during the first half of 1927 was 623,533,000 pesos or 75,820,000 dollars, as compared with 916,930,000 pesos or 111,500,000 dollars in the corresponding period of 1928. Increases in exports of copper, nitrate and barley were particularly significant. Imports of fourteen principal commodities declined during the same period from 199,256,000 pesos or 24,230,000 dollars to 162,740,000 pesos or 19,790,000 dollars.³¹

Colombia

The situation in Colombia is one of unusual activity. The improvement in the purchasing power of the Colombian people is reflected in the growth of imports from the United States. During the first six months of this year, the value of Colombian imports from the United States was 27,702,000 dollars, as compared with 24,299,000 dollars in the first half of 1927, an increase of 14%. And it is important to emphasize that this increase took place in spite of the fact that imports of railway equipment and machinery have shown a decline of several million dollars as a result of increasing purchases from European countries.

The most important recent development in Colombia is the program of highway construction. The work on the main highway, which will connect the Colombian capital with the Caribbean Sea, is being done by American contractors and will involve an expenditure of 15,000,000 dollars. The completion of this highway is expected to have a revolutionary effect on the transportation and the general economic situation in Colombia.³²

The prosperity of Colombia depends largely on the

prosperity of its principal industry, the production of coffee. The condition of the coffee crop this year is better than a year ago and a larger production is expected. Coffee exports for the first five months of this year amounted to 1,320,000 sacks, as compared with 1,160,000 during the corresponding period a year ago. Average export prices during the first half of 1928 were higher than a year ago, indicating that this year will be a year of prosperity for the coffee growers and for the country as a whole.³³

JAPAN

Political unrest in Japan and the tension in Japanese-Chinese relations have adversely affected business during the second quarter of this year. After the general election last spring, the strength of the government and the opposition parties was about equal, and the balance of power was held by a small group of "independent" members of the Diet, only a half a dozen in number. Since the Government of Japan takes a very active interest in the industrial life of the country, political stability is a sine qua non of industrial economic stability. The fact that neither of the major parties has a majority in the Diet has prevented the passage of important legislation and has created an atmosphere of uncertainty and doubt.

Reorganization of Banking

Business in general has not yet recovered from the effects of the financial panic and depression of 1927, but this year Japan has taken definite measures to reorganize its industrial and financial structure. The reorganization of banking has made satisfactory progress. Of the thirty-seven banks which suspended payment during the crisis, fourteen have been reopened; one has been liquidated; five have been amalgamated; three have sold their business to others; and two were ready to resume business in April. The remaining twelve banks which have not been able to reorganize affairs are, with one exception, small country institutions. Their total deposits amount to 58,000,000 yen or 26,560,000 dollars out of a total of 566,600,000 yen or 259,000,000 dollars

held by all the banks which were forced to suspend payment. In 1927, there were 134 bank amalgamations; during the first quarter of 1928, twenty-two amalgamations took place, and provisional agreements for amalgamation were made by about eighty more banking institutions.³⁴

Foreign Trade

During the first six months of 1928 the value of imports was 1,177,000,000 yen or 539,100,000 dollars, while exports amounted to 942,700,000 yen or 431,800,000 dollars. The excess of imports over exports was 61,000,000 yen or 27,900,000 dollars lower than during the corresponding period a year ago, and was lower than at the end of the first six months of any year since 1919.³⁵ During the first half of 1928, Japanese imports from the United States amounted to 122,914,000 dollars, as compared with 127,528,000 dollars in the corresponding period a year ago. Japanese exports to the United States also declined from 195,388,000 dollars in the first half of 1927 to 184,126,000 during the corresponding period this year. Lower prices of raw silk accounted mainly for the decline in the value of exports, while greatly reduced purchases of raw cotton in the United States were principally responsible for the decline in Japanese imports.³⁶ The future development of trade between Japan and the United States will depend to a large extent on the political conditions in Japan and the success of the recent movement to rationalize the financial and industrial structure of that country.

AUSTRALIA

After an unusually dull season earlier in the year, Australian business conditions began to improve in August but still remained less satisfactory than a year ago. Production of pig iron in August, 1928, was 20% greater than in the preceding month but was 17% below that for August, 1927. Similarly, steel production in August showed a 14% increase over July, 1928, but remained 7% below August, 1927. Industrial activity in general is affected by the strike of the waterside workers which has almost completely stopped all coastal shipping and has considerably affected oversea trade.

Crop prospects are generally fair. The wheat acreage seeded is substantially greater than a year ago, and if the weather remains normal, an exceptionally heavy yield should be obtained in most wheat-growing states. The situation is least satisfactory in the State of Victoria on account of drought. The proposal to organize a compulsory wheat pool in New South Wales was defeated by a majority of wheat producers.³⁷

Rationalization of Industry

The rationalization movement in the steel industry is reflected in the formation of a steel merger, the Australian Iron and Steel, Limited. The new company will begin operations with a capital of 3,100,000 pounds or 15,066,000 dollars. Four companies—the Hoskins Iron and Steel Company; Dorman, Long & Company, Ltd., England; Howard Smith, Ltd.; and Baldwins, Ltd.—are represented in the merger. When the steel works and rolling mills commence production at Port Kembla in about two years' time, the company expects to produce a greater variety and a larger volume of products and at a lower cost than is possible with the existing plant.³⁸

The coal industry is in a depressed condition. The Australian Government has decided to grant a bounty of one shilling per ton for one year on all coal produced in New South Wales on condition that owners' profits and miners' wages are reduced by the amount of the bounty. The New South Wales Government will help the coal industry to lower its production costs by reducing railway freights and harbor dues by two shillings a ton. The Federal Government has determined to investigate the condition of the coal industry with a view to its thorough reorganization. At the present time, British coal can be offered cheaper in Australia than home-produced coal.³⁹

Public Indebtedness

Preliminary accounts of the fiscal results of the year ended June 30, 1928, indicate that the budgets of the Commonwealth and most of the States will show large deficits. Nearly three-fifths of the total revenue from the Commonwealth

and State taxation are spent on interest payments on the public debt, which now exceeds 1,000,000,000 pounds sterling or 4,860,000,000 dollars. In 1927, these interest payments amounted to 51,000,000 pounds sterling or 247,860,000 dollars. The greater part of this debt was incurred for the purpose of constructing and operating extensive public works, public utilities and industrial enterprises. Large budget deficits this year are likely to result in considerable curtailment in governmental expenditures and borrowings.⁴⁰

Industrial Conciliation and Arbitration

Realizing that the existing Conciliation and Arbitration Act had failed to prevent strikes and secure industrial peace, the Commonwealth Parliament has passed a number of amendments to the Law. One of these provides that in making awards the Arbitration Court "shall take into consideration the probable economic effect of the agreement and award in relation to the community in general and the probable economic effects thereof upon industry or industries concerned." It is believed that this provision will make it more difficult than heretofore to pass increased costs to the public. Another amendment provides that not less than ten members of a trade union may demand a secret ballot on any resolution proposed for adoption. The ballot may be conducted by the trade union or by the court. It is provided that the names of the union members asking the secret ballot to be held shall be kept secret if they apply to the judge. It is believed that this provision will enable members of trade unions to oppose aggressive policies, frequently followed by the Labor party, which was strongly opposed to the secret ballot.⁴¹

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This general review of the economic situation in some of the principal countries of the world on the whole gives a not unfavorable picture of the present position of industry and trade. There are, however, two important factors in the economic organization of the world which make impossible a normal flow of world trade and which represent two negative signs in this general picture of post-war reconstruction

and recovery. These two factors are the dislocation of the social and economic structure of the former Empire of Russia and the continuation of revolutions and counter-revolutions in China.

RUSSIA

It is exceedingly difficult from current reports to gain a clear picture of what is going on in the Union of Socialist Soviet Republics, partly because all information coming out of Russia is strictly censored and partly because most commentators upon the conditions in the communist state speak either in terms of highest praise or of extreme condemnation.

Agricultural Production

Without considering the advantages or disadvantages of a system of government where a party of less than one million members rules a nation of 146,000,000 men and women, it is possible to measure the results accomplished by that system in the different branches of industry and trade. The average annual production of wheat in the present-day Russia amounted before 1914 to 20,600,000 metric tons; in the fiscal year 1926-1927, it was 22,000,000 tons; the corresponding figures for barley were 9,000,000 tons and 5,700,000 tons; for oats, 13,400,000 tons and 13,100,000 tons; for maize, 1,300,000 tons and 3,700,000 tons; for potatoes, 20,200,000 tons and 50,800,000 tons.

Industrial Production

When comparing this accomplishment with the results achieved in the field of industrial production, it should be remembered that government control of the Russian industrial organization is practically absolute, whereas agriculture still remains essentially individualistic. The production of coal on the present-day territory of Russia in 1913 amounted to 29,500,000 tons and in 1926 the figure was 26,298,000 tons; the corresponding figures for petroleum were 62,800,000 barrels and 62,900,000 barrels; for iron ore, 10,300,000 tons and 3,100,000 tons; for pig iron and ferro-alloys, 4,220,000 tons and 2,430,000 tons; for steel ingots and castings, 4,212,000 tons and 3,125,000 tons; for copper

ore 939,000 tons and 224,000 tons (1925); for copper 34,000 tons and 12,000 tons; for zinc 24,000 tons (1912) and 2,000 tons. These statistics show that, with the exception of coal and petroleum, industrial activity in Russia at the present time is far below the level of 1913.

Foreign Trade

Furthermore, the decline in foreign trade has been equally great. In 1913, Russian imports amounted to 15,354,000 tons and exports to 24,113,000 tons; the corresponding figures for 1926-1927 are 1,546,000 tons and 7,791,000 tons. The value of imports in 1913 was \$700,000,000, as compared with \$348,000,000 in 1926-1927; the value of exports during the same period declined from \$775,000,000 to \$364,000,000, so that the total value of Russian foreign trade declined from \$1,475,000,000 to \$712,000,000, resulting in a decline of \$763,000,000.⁴²

CHINA

In China, the disturbed political conditions have militated against the social and economic development of that country of 320,000,000 people. The disorganization of the internal political structure makes it impossible for China to develop a practical and consistent foreign policy. The absence of a stable government deprives foreign traders of that all-important feeling of assurance that contracts will be faithfully kept and orders executed. Furthermore, labor upheavals are a constant menace to Chinese industry and trade, although recently no labor troubles of any significance have been reported. This, however, does not mean that labor conditions have improved, but that civil and military authorities have the upper hand. Clearly, the conditions in China will remain in an unsatisfactory state and her masses near the line of starvation until a way is found to restore her unity, which was destroyed after the break-up of the Manchu Empire in 1911. The problem is one of governmental organization, of devising a system which will be sufficiently centralistic to present a united front to foreign powers, but still to afford a large measure of administrative autonomy to the different provinces.

UNITED STATES

The general condition of business in the United States during the first eight months of this year has been in the main satisfactory and has shown steady improvement. None of the disturbing elements, which were present earlier in the year, have materialized into a serious threat to business activity.

Employment, Wages and Cost of Living

Estimates of unemployment, ranging from 1,874,000 to 8,000,000, have been advanced at various times during this

TABLE 1: AVERAGE MONEY AND "REAL" EARNINGS, EMPLOYMENT AND HOURS OF WORK IN MANUFACTURING INDUSTRY, AND COST OF LIVING, UNITED STATES, JANUARY TO AUGUST, 1928

(Source: National Industrial Conference Board)

Month	Average Earnings		Index Number of Earnings Base, July, 1914 = 100		Index Number of Employment Base, June, 1920 = 100	Average Hours of Work per Wage Earner	Cost of Living Base, July, 1914 = 100	"Real" Earnings Base, July, 1914 = 100	
	Hourly	Weekly	Average Hourly	Average Weekly				Hourly	Weekly
January.....	\$0.568	\$27.22	232	217	79.1	47.9	163.1	142	133
February.....	.567	27.35	231	218	80.8	48.0	161.5	143	135
March.....	.570	27.59	233	220	81.2	48.2	161.1	145	137
April.....	.570	27.19	233	217	80.7	47.4	160.8	145	135
May.....	.567	27.23	231	217	81.2	47.8	161.5	143	134
June.....	.570	27.30	233	218	81.1	47.7	160.9	145	135
July.....	.568	27.09	232	216	81.8	47.5	161.1	144	134
August.....	.570	27.35	233	218	82.1	47.9	163.4	144	135

year, and their great variance shows the unreliability of these estimates for which no broad fact basis exists. Business experience, on the contrary, indicates that, at any rate, the supply of labor has not been so abundant as to bring down the general level of wages. According to the figures of the National Industrial Conference Board, average weekly earnings in manufacturing industries during the first eight months of this year fluctuated between \$27.59 in March and \$27.09 in July. The Conference Board's index number of the cost of living, taking July, 1914 as 100, declined from 166.9 in January to 160.8 in April and increased to 163.4 in August, 1928, as may be seen from Table 1.

Industrial Activity

The index numbers of manufacturing production for the first seven months of the year show greater activity than in the corresponding period a year ago. This is particularly true of the so-called key industries, the building, steel and automobile industries. The index number of automobile production (1923-1925 monthly average = 100) rose from 70.2 in January, 1928 to 129.0 in May and then declined to 118.2 in July. The corresponding figures for 1927 were 72.4, 122.4 and 81.3. The index number of steel production (ingots) from January to July this year varied between 130.4 in March and 102.7 in July. A year ago it fluctuated between 131.2 in March and 92.7 in July. The index number of building contracts awarded in thirty-seven states during the first eight months of 1927 reached its peak in May with 143.5; there was a slight decline in June to 142.2, and a further decline in July to 123.7.⁴³ The total awards for the first half of the year were higher than for any previous corresponding period.

Price Movements

Wholesale prices have shown a tendency to increase and the index number in May, 1928 was higher than in any months since December, 1926. Farm prices also increased and were higher in May than at any time during the last two years and a half. The index number of wholesale prices of all commodities (1923-1925 average = 100) fluctuated between 95.1 in March and 97.7 in May; while farm prices moved between 97.8 in February and 107.2 in May, 1928.⁴⁴ From May to August there was a slight decline in prices of all commodities and of farm prices taken alone. While the increase in the price level since a year and a half ago appears insignificant as compared with that which occurred during the inflation period of 1920, it becomes much more important if comparison is made on the basis of pre-war movements of prices.

The Position of Agriculture

In the crop year ended June 30, 1928, the gross value of farm production in the United States was 17,033,000,000

dollars, as compared with 16,487,000,000 in the preceding crop year. Gross income from farm production in 1927-1928 was 12,253,000,000 dollars or 874,000,000 dollars above that of the year 1926-1927. Similarly, cash income from sales increased from 9,537,000,000 dollars in 1926-1927 to 9,816,000,000 dollars during the crop year ended June 30, 1928. According to official estimates, as of August 1, 1928, the principal crops this year will be larger than in 1927. This year's yield of corn is estimated at 3,030 million bushels; oats, 1,442 million bushels; barley, 344 million bushels; wheat, 891 million bushels; tobacco, 1,358 million pounds; and white potatoes, 460 million bushels. The actual yield in 1927 was 2,774 million bushels of corn; 1,200 million bushels of oats; 264 million bushels of barley; 873 million bushels of wheat; 1,200 million pounds of tobacco; and, 407 million bushels of white potatoes. Farm income this year is likely to exceed that of a year ago since farm prices on the whole are higher.⁴⁵

The condition of manufacturing industries can be generally described as one of greater than average prosperity. The significant feature of this prosperity is that it has been able to maintain itself in spite of sharp competition, high selling costs and narrow profit margins. Under these circumstances, the smaller corporations have been losing ground to the larger organizations which have been able to take advantage of the latest developments in technique, of large capital resources, of best advertising methods, and of highly paid and imaginative leadership. In this respect, the movement in the United States resembles the development of rationalization in practically every industrial country of the world as an inevitable accompaniment of technological progress.

Foreign Trade

Foreign trade figures for the fiscal year beginning July 1, 1927 and ending June 30, 1928, given in Tables 2 and 3, show an excess of merchandise exports over imports of \$731,000,000. Excess of gold exports amounted to \$498,000,000 and silver exports \$20,000,000, giving an aggregate balance of

American visible trade of almost \$1,250,000,000. This favorable balance of trade is larger than in any year since 1920-1921. The most marked expansion occurred in exports of finished manufactures which amounted to \$2,061,000,000, an increase of 4% over the preceding year and of about 70% over 1921-1922. Exports of automobiles and accessories showed an increase of 18% in value, as compared with 1926-1927, and of 426.1%, as compared with 1921-1922. The value of total exports in 1927-1928 was \$4,877,000,000 or 1.8% less than in the preceding year; the value of total imports was \$4,146,000,000 or 2.5% less than in 1926-1927. These figures, however, give an erroneous impression of the

TABLE 2: EXPORTS AND IMPORTS OF MERCHANDISE, UNITED STATES, 1921-1922 TO 1927-1928

(Source: United States Department of Commerce)
(In millions of dollars)

Period	Exports		Imports	Per Cent Imports Are of Exports
	Total	Domestic		
1921-1922	3,771	3,700	2,608	69.2
1922-1923	3,957	3,887	3,781	95.6
1923-1924	4,312	4,224	3,554	82.4
1924-1925	4,865	4,778	3,824	78.6
1925-1926	4,753	4,653	4,465	93.9
1926-1927	4,968	4,867	4,252	85.6
1927-1928	4,877	4,773	4,146	85.0

development of foreign trade if they are not considered in connection with price movements. During the period under consideration the prices of the leading export commodities remained relatively unchanged, whereas there was a decline of 5% in import prices. Consequently, the volume of export trade declined from 1926-1927 to 1927-1928, while imports showed a slight increase. The striking feature of the import trade is the steady increase of imports of finished manufactures. The value of these imports in 1927-1928 amounted to \$891,000,000, an increase of about 40% over 1921-1922. An important development of the export trade is the marked expansion of exports to Canada. In 1927-1928, Canada replaced the United Kingdom as the principal importer of American commodities.⁴⁶

Loans to Foreign Countries

The increase in the favorable balance of trade has been accompanied by a record volume of loans to foreign countries. The volume of foreign securities offered in the United States during the last two quarters of 1927 amounted to \$798,319,000. During the first half of 1928, American underwriters offered foreign capital securities of a total par value of \$1,053,000,000. Europe was the largest borrower. Loans to Germany in the second quarter of 1928 amounted to over

TABLE 3: FOREIGN MERCHANDISE TRADE, BY GROUPS OF COMMODITIES, UNITED STATES, 1921-1922 TO 1927-1928

(Source: United States Department of Commerce)
(In millions of dollars)

Fiscal Year	Total	Crude Materials	Crude Foodstuffs	Manu- factured Foodstuffs	Semi-manu- factured	Finished Manu- facture
<i>Exports</i>						
1921-1922	3,700	933	521	624	412	1,211
1922-1923	3,887	1,024	394	585	487	1,396
1923-1924	4,224	1,308	203	562	596	1,555
1924-1925	4,778	1,401	483	577	646	1,670
1925-1926	4,653	1,301	250	531	635	1,037
1926-1927	4,867	1,321	381	496	694	1,976
1927-1928	4,773	1,174	367	457	714	2,061
<i>Imports</i>						
1921-1922	2,608	927	302	333	407	639
1922-1923	3,781	1,494	352	507	711	717
1923-1924	3,554	1,224	385	530	656	756
1924-1925	3,824	1,452	452	451	701	767
1925-1926	4,465	1,905	529	401	796	834
1926-1927	4,252	1,651	522	446	759	874
1927-1928	4,146	1,541	546	422	746	891

\$152,300,000 and were larger than in any corresponding period since the institution of the Dawes Plan in 1924. Loans to private companies—the Electric Power Corporation, General Electric Company of Germany, German Central Bank for Agriculture, Pomerania Electric Company, Ruhr Chemical Corporation, Unterelbe Power & Light Company and several other corporations—played an important part in financing the rationalization of German industry. During the first two months of the third quarter of this year, however, the volume of foreign financing in the

United States declined to negligible proportions on account of high domestic money rates. Table 4 shows the amount of foreign securities publicly offered in the United States during the period January 1914 to June 1928, inclusive.⁴⁷

TABLE 4: FOREIGN SECURITIES PUBLICLY OFFERED IN THE UNITED STATES, JANUARY 1, 1914 TO JUNE 30, 1928

(Source: United States Department of Commerce)

Year	Number of Issues	Nominal Capital	Estimated Refunding to Americans	Net Nominal Capital
1914.....	19	\$37,722,750	..	\$37,722,750
1915.....	87	833,494,614	\$19,500,000	813,994,614
1916.....	104	1,131,080,264	7,750,000	1,123,330,264
1917.....	64	718,147,450	32,000,000	686,147,450
1918.....	30	29,715,000	1,600,000	68,115,000
1919.....	81	813,244,700	250,000,000	562,324,400
1920.....	105	636,191,357	51,000,000	585,191,357
1921.....	109	675,112,963	44,105,083	631,007,880
1922.....	136	828,399,284	146,121,300	682,277,984
1923.....	73	495,662,100	82,000,000	413,662,100
1924.....	129	1,219,541,687	291,047,945	928,493,742
1925.....	156	1,329,920,750	244,540,000	1,085,380,750
1926.....	214	1,318,554,850	183,895,200	1,134,659,650
1927.....	264	1,592,595,760	216,882,700	1,375,713,060
1928 (six months) ¹ ..	58	1,053,164,650	213,853,913	839,310,737

¹ In July and August, the volume of foreign financing in the United States declined to negligible proportions.

Credit Position

The total amount of reserve bank credit in the third week of August was about \$1,470,000,000, an increase of \$370,000,000 over the corresponding period in 1927. As a result, the ratio of reserves of the Federal Reserve banks to their note and deposit liabilities declined from 78.5% on August 24, 1927, to 69.6% on August 22, 1928. In spite of this decrease, however, the Federal Reserve banks held about \$1,300,000,000 in gold in excess of the legal requirements of 40% against notes and 35% against deposits,⁴⁸ which is more than sufficient for any ordinary emergency that might arise. Money rates have been very firm in recent months and are higher than in many European countries. The expectation of "easy money" as a result of seasonal movements of gold this autumn, however, is hardly justified in view of the established policy of gold accumulation of France, Germany and

Italy, while imports of gold from England are not expected to reach such proportions as to exert an appreciable influence on the money market.

This general review of the economic conditions in the United States shows clearly that during the first eight months of this year the country has enjoyed a period of remarkable industrial activity. The position of the key industries, the automobile, steel and building industries, which so largely reflect the general prosperity of the country, has been excellent, and the prospects for the near future are more than promising. Excellent crops are expected to improve the purchasing power of the farm population which will be reflected in greater demand for the products of manufacturing industries. Wages of industrial workers have remained at high levels, and factory employment showed little change. The extent of unemployment is a moot question, but the probability is that large numbers of workers have found employment in the newer industries, like the radio industry, and in other fields for which no accurate employment statistics are collected or available. The development of foreign trade, particularly in finished manufactures, has been very satisfactory, and the country's credit reserves are ample.

PART II

SPECIAL REPORTS RECEIVED BY
NATIONAL INDUSTRIAL CONFERENCE BOARD,
INC., FROM ITS FOREIGN CORRESPONDENTS,
BY OCTOBER, 1928

ECONOMIC CONDITIONS IN GREAT BRITAIN DURING THE FIRST HALF OF 1928

Report from Midland Bank, London, transmitted through the
Rt. Hon. Reginald McKenna, Chairman

BY comparison with last year's figures the state of trade in the first half of this year appears somewhat disappointing, but allowance should be made for the fact that the statistics in the earlier part of 1927 were unduly influenced by the accumulation of orders following the coal stoppage of the previous year. For the first quarter of 1927 the production index of the London and Cambridge Economic Service almost reached pre-war dimensions; in subsequent quarters it averaged 5% less than the 1913 figure. This year, production has declined in each of the two quarters due principally to a falling off in the output of the more important industries.

The unemployment figures are highly unsatisfactory. In the first half of 1927 there was a decline in the number of insured persons unemployed, because of the absorption of workers into industry following the disputes of 1926. But in 1928, while there was a seasonal decline early in the year, there was an unusual increase towards the middle of the year, and at the end of June the unemployed numbered 200,000 more than a year ago. To this increase the coal mines contributed no less than 66,000; cotton and wool, 37,000; and building and construction, 30,000.

DEPRESSION IN BASIC INDUSTRIES

The situation in the country's basic industries has been by no means gratifying. The coal industry, which is perhaps the most severely depressed of all, has been producing a considerably lower output this year than last, and it is becoming more and more apparent that the industry is permanently over-staffed. This problem of surplus man-power and per-

sistent acute unemployment in local areas has received the attention of a small committee, the Industrial Transference Board, set up by the Government last January. The Board recommends improved emigration facilities and, as a partial solution, advocates the orderly shifting of workers from depressed areas into districts where the labor market is expanding and elastic.

The depression of the export side of the coal industry is acute and has led to the formation of various district marketing schemes, aiming at the control of output and maintenance of export prices. Plans are now under consideration for co-ordinating the activities of these district organizations. For the first six months of 1928 exports of coal were slightly in excess of 26 million tons, as compared with 27½ million tons in 1927, but the value received averaged 3s. per ton less than in the earlier period.

The figures of iron and steel production are also disappointing, though the tinplate section has shown marked revival. Engineering has been rather more active, the increase in production being attributable, in the main, to the greater foreign demand. The electrical section, which hitherto has provided a point of relief from the prevailing depression, has itself shown signs of slackening, the output being lower than a year ago. Considerable expansion in the amount of work available, however, is anticipated shortly when the execution of the district electrification schemes is put in hand.

The shipbuilding industry has maintained a high level of activity, but this has been due to the accumulation of orders as a result of the 1926 disputes, and grave anxiety is felt in view of the fact that the launches of new tonnage are not being followed up by the required amount of new orders. The quarterly figures of work begun indicate a progressive decline since the beginning of last year.

The cotton industry has been faced not only with difficulties of a general character, but with others of a nature peculiar to itself. Output has continued to proceed at a level far below capacity and various remedial plans have been put forward. The industry has rejected proposals for a reduction in wages and for organized short time; and the latest schemes favor amalgamations among mills, with a view to effecting

economies and co-ordination of output and selling. The depression applies for the most part to the American section of the industry and not to the Egyptian, which has maintained a fairly high level of activity.

Imports of raw wool have been greater than a year ago, but prices at the auctions in London and Australia have ruled higher. On balance, there has been a slight improvement in conditions in this industry, though the promise of earlier months has not been realized. In the leather and motor trades, progress has been registered, and favorable conditions continue to prevail in the comparatively new artificial silk industry. Profits are reported at high levels and new markets are being rapidly secured.

PROGRESS IN NEWER INDUSTRIES

The flourishing state of the newer industries is in marked contrast with the depressed conditions of the great staple trades. It is hoped that these older industries will derive benefit from the Government's rating relief scheme, outlined in the Budget speech in April, and originally intended to become effective in October of next year. Considerable progress has already been made toward completing arrangements, and it is now stated that some part of the scheme will be brought into operation at an earlier date.

With regard to tariff policy, it may be noted that the Government has set its face, at any rate for the duration of the present Parliament, against wholesale extension of protection, and quite recently reiterated its refusal to grant an inquiry into the advisability of placing a duty on iron and steel imports under the Safeguarding of Industries Act. A number of relatively small industries, however, have been included under this Act.

THE AGRICULTURAL SITUATION

The agricultural situation continues to be marked by the depression which has persisted for some years past. Farmers, however, along with industry generally, will benefit from the new rating proposals. The Government has also introduced

a bill, which has recently become law, for the provision of additional long-term and short-term credit facilities for farmers, the former to be granted through the agency of a new state-aided institution, the Agricultural Credit Corporation, working with the cooperation of the commercial banks. As regards short-term credit, it is proposed to create a new credit instrument, the agricultural charge, specifically for use by farmers. It is recognized quite frankly that this legislation does not in any sense go to the root of the troubles of British agriculture and can at best act merely as a palliative.

The position of the railways has been adversely affected by the industrial situation. As a result of the continued depression in the heavy industries, the tonnage of freight carried by the railways has shown a serious decline, and consequently revenues have been considerably reduced. Some amelioration of the position may be secured in course of time if the railways are permitted to adopt road transport and thus meet the competition of private motor companies, which have undoubtedly attracted to themselves a considerable amount of traffic, particularly in the carrying of passengers. The necessary powers are now being sought from Parliament. Negotiations between representatives of the railways and of the workers, with a view to arriving at some means of reducing the wage bill, have resulted in agreement on a $2\frac{1}{2}\%$ deduction from all wages, salaries and directors' fees. This, it is estimated, will result in a saving of between £2 and £3 million during the coming year.

FOREIGN TRADE

By contrast with the somewhat gloomy outlook in home industry, the foreign trade situation has considerably improved. Compared with the first half of 1927, imports have been running at a lower level, while exports of British products have been appreciably higher, the net effect of these movements being to reduce the visible adverse balance on merchandise account by over £26 million.

British goods appear to be recovering some of their marketability in overseas countries, but it is noticeable that the

increase in exports is concentrated in a few groups of highly finished products. The volume of exports, however, is still well below the level reached in 1913, according to deductions which may be drawn from estimates made by the Board of Trade. Imports, on the other hand, are considerably larger. These movements suggest that while there is still room for a very considerable expansion in exports, it should be possible to effect a relative curtailment of imports if all surrounding conditions were favorable to a marked increase in the volume of production.

INDUSTRIAL PEACE

It is a hopeful sign that relations between employers and workers appear to be moving towards a higher degree of friendliness and mutual confidence. The first joint conference of a representative group of employers and the General Council of the Trades Union Congress was held early this year, with the declared object of discussing the entire field of industrial reorganization and industrial relations in order to assist in the restoration of trade prosperity, and to bring about an improvement in the standard of living. An interim report was issued on the occasion of the second meeting of the Conference, held in July. Among other matters on which resolutions have been adopted are those of trade union recognition, victimization and rationalization. In addition, a memorandum on monetary policy was issued in April. But probably the most important outcome of the work of the Conference is the proposal to set up new machinery of conciliation for the settlement of points of disagreement between employers and workers.

IMPROVED FINANCIAL SITUATION

The financial situation continues to show signs, superficially at least, of marked energy and strength. In the early part of this year the Stock Exchange was marked by great activity, particularly in the industrial section, and this activity was accompanied by a flood of new issues of capital surpassing anything experienced since 1920. Although the speculative boom on the Stock Exchange has worn itself out,

largely as a result of American and continental liquidation, the flow of new capital issues has continued, though at a lesser rate. The increase has been concentrated on issues for home purposes, and large quantities of new capital have been offered for public subscription in order to finance the amalgamation and recapitalization of existing undertakings.

In the foreign exchange market, sterling has been stronger than at any time since the return to the gold standard in 1925. The pound for some months ruled consistently above its dollar parity, and on several occasions reached a point which rendered gold imports from the United States practicable. The strength of sterling not only brought about gold movements from America to Great Britain, but resulted in the acquisition by the Bank of England of a large proportion of the South African output. These two factors, coupled with imports from Russia to pay for grain and other purchases, raised the stock of gold in the Bank of England to £172 million at the end of June.

THE LARGE GOLD SUPPLY

The large increase in the Bank's gold holding in recent months has given rise to interesting developments in the banking situation. The first effect of an increase in the stock of gold at the central bank is to bring about a corresponding increase in the cash balances of the joint stock banks. A new basis is thus provided for the extension of loans by those banks unless the Bank of England chooses to neutralize the inflow by selling securities. This was the course adopted by the Bank in dealing with these imports of gold. As fast as the gold came in from America, Russia or South Africa, securities were sold and room was made for it in the Bank of England without adding to the supply of bank cash. Moreover, the statistics indicate that the Bank, for a period, sold securities beyond the amount of the incoming gold, so that the banks were in the position of having to finance their trading customers with smaller cash resources. They were enabled to do this by working on a lower cash ratio.

The Bank of England now holds more gold than at any previous time in its history. It is in an exceptionally strong position and can well afford to lose large quantities of gold

without raising its discount rate, if sterling, which has recently fallen, is depressed to the gold export point.

A new currency law has been passed in the period under review. The main provisions of the Currency and Bank Notes Act, 1928, relate to the absorption of the Treasury note issue by the Bank of England and fix the fiduciary issue of the Bank at £260 million. The principles of the Bank Charter Act of 1844, as amended by the Gold Standard Act of 1925, have been adhered to as far as possible, but, presumably as a concession to those who take the view that the limit of £260 million is unnecessarily small, the Act contains a clause providing for an increase in the maximum in certain circumstances.

The Government scheme of rating reform, which becomes operative in part in December, 1928, was the principal feature of the Budget introduced in April. It involves the allocation of considerable funds from the national revenue in order to make good to local authorities the amounts lost as a result of relief to be granted to industrial undertakings, agriculture and transport.

The Sinking Fund program laid down in 1923 has been supplanted by an arrangement whereby a fixed sum of £355 million will be allocated each year to cover debt services, and it is computed that by this means the entire debt will be extinguished in fifty years. The National Debt on March 31 stood at £7,611 million as compared with £7,623 million a year earlier. The revenue for the current year was estimated to be £756 million, as compared with actual receipts of £766 million last year, while expenditure, including the Sinking Fund appropriation, was estimated at £741½ million, leaving a surplus of £14½ million. The surplus was arrived at without making any allowance for supplementary estimates or for the revenue concessions and the antedating of a part of the rate relief scheme, which have been announced since the Budget was introduced. These deductions from revenue and additions to expenditure, so far announced, have been officially estimated at £4¾ million for the year.

The appended tables containing statistics relating to production, trade, banking and finance are designed to give fuller information on some of the points mentioned in the above survey.

STATISTICS RELATING TO PRODUCTION, FOREIGN TRADE AND EMPLOYMENT, GREAT BRITAIN

Month	Index Number of Pro- duction ¹ 1913 = 100	Coal Output (In Thousand Tons)	Ship- building, Tonnage Begun (In Thousand Tons)	Steel Produc- tion (In Thousand Tons)	Pig-Iron		Total Imports (£ Mil- lion)	British Exports (£ Mil- lion)	Number of Insured Persons Unem- ployed
					Produc- tion (In Thousand Tons)	Furnaces in Blast			
1927									
January.....	..	..	..	731	435	152	113.6	55.4	1,451,103
February.....	..	..	..	827	571	166	93.9	52.9	1,315,444
March.....	..	..	..	949	672	178	113.5	62.1	1,187,782
First quarter....	99.7	68,311	580	2,507	1,678	..	321.0	170.4	..
April.....	..	..	..	850	680	189	100.6	52.6	1,133,090
May.....	..	..	..	885	720	184	96.4	63.3	1,058,791
June.....	..	..	..	747	651	176	99.3	56.0	1,069,386
Second quarter..	95.7	62,620	437	2,482	2,051	..	296.3	171.9	..
1928									
January.....	..	..	..	626	561	148	100.4	59.7	1,260,503
February.....	..	..	..	764	551	148	98.8	57.2	1,227,504
March.....	..	..	..	793	593	150	110.5	65.0	1,127,622
First quarter....	93.4	65,358	342	2,183	1,705	..	309.7	181.9	..
April.....	..	..	..	644	563	149	96.8	55.3	1,127,748
May.....	..	..	..	753	592	148	99.4	58.6	1,168,009
June.....	..	..	..	709	564	141	99.4	59.5	1,273,360
Second quarter..	91.8	57,925	279	2,106	1,719	..	295.6	173.4	..

¹ London and Cambridge Economic Service.

FINANCIAL STATISTICS, GREAT BRITAIN

Month	Bank Clearings (£ Million)		New Capital Issues (£ Thousand)		Wholesale Prices ¹ 1913 = 100	Exchange, London on New York
	London	Provincial	Home Purposes	Overseas Borrowers		
1927 .						
January.....	3,680.5	145.9	10,317	16,015	143.6	4.8528
February.....	3,166.3	134.1	15,430	6,469	142.6	4.8505
March.....	3,583.3	153.2	27,738	6,976	140.6	4.8544
April.....	3,440.6	132.2	13,123	9,145	139.8	4.8570
May.....	3,751.2	145.3	23,914	10,602	141.1	4.8571
June.....	3,318.4	131.6	12,373	7,592	141.8	4.8565
1928						
January.....	3,933.7	152.1	14,178	19,616	141.1	4.8758
February.....	3,413.2	142.5	22,627	5,245	140.3	4.8753
March.....	3,745.5	153.6	18,652	23,043	140.8	4.8802
April.....	3,677.5	136.9	10,628	7,978	142.9	4.8822
May.....	3,914.4	145.0	25,752	13,523	143.6	4.8819
June.....	3,703.8	131.8	25,404	15,968	142.6	4.8804

¹ Board of Trade.² "Statist" average figures.

BANKING STATISTICS, GREAT BRITAIN

(Averages of weekly figures)

Month	Bank of England					Ten London Clearing Banks ¹				Average Rates for Three Months' Treasury Bills %
	Gold Holdings (£ Mil- lion)	Deposits (£ Mil- lion)	Secur- ities (£ Mil- lion)	Reserve (£ Mil- lion)	Circula- tion (£ Mil- lion)	Deposits (£ Mil- lion)	Cash (£ Mil- lion)	Ratio Cash to Deposits %	Ad- vances (£ Mil- lion)	
1927										
January	151.4	129.9	114.9	33.2	138.0	1,755	201	11.5	923	4 ¹ / ₃₂
February	150.4	118.5	103.5	33.2	136.9	1,714	196	11.4	928	4 ⁵ / ₁₆
March	150.6	122.5	107.6	33.2	137.1	1,694	193	11.4	936	4 ¹¹ / ₃₂
April	153.1	119.9	102.3	35.3	137.6	1,704	197	11.5	938	4 ¹ / ₃₂
May	153.9	113.8	94.2	37.4	136.3	1,712	196	11.5	939	3 ²⁷ / ₃₂
June	152.2	120.1	102.9	35.0	136.9	1,746	204	11.7	941	4 ¹¹ / ₃₂
1928										
January	154.8	128.9	108.3	38.7	135.8	1,784	201	11.3	937	4 ¹ / ₈
February	157.3	111.4	87.5	42.1	135.0	1,734	192	11.1	933	4 ³ / ₁₆
March	157.9	113.1	88.6	42.8	134.8	1,709	190	11.1	945	4 ¹ / ₁₆
April	158.5	116.4	91.2	42.9	135.4	1,728	191	11.1	950	4
May	161.9	113.8	85.2	46.3	135.4	1,725	192	11.1	952	3 ³¹ / ₃₂
June	169.0	123.0	87.6	53.3	135.5	1,768	197	11.2	946	3 ²⁵ / ₃₂

¹ Adjusted in 1927 to allow for amalgamations.

ECONOMIC CONDITIONS IN GERMANY DURING THE FIRST HALF OF 1928¹

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AFTER the severest difficulties of the preceding years had been surmounted, the year 1927 brought a noticeable improvement and great activity in German economic conditions. This was maintained almost unchanged throughout the entire year. The reasons for this upward trend were found in increased market possibilities due to the British miners' strike. This affected first of all coal and products of the iron and steel industry. In consequence of the inter-relationship of the individual economic groups, however, it soon spread to nearly all branches of German manufacturing. In addition to this stimulus, caused by a temporary improvement in market possibilities, industry was strengthened by the foreign loans which flowed into Germany in a large measure. These did not fail to react favorably on the entire industrial activity. Finally, the severe crises of the preceding years had compelled German industry to rationalize methods of organization and technique, and this led to an improvement in the efficiency of the individual establishments and consequently in that of the entire economic system.

The first half of the current year still showed German industry on a high level, which as far as production and selling of goods are concerned was not far behind that of the same period in the preceding year, and which in some cases even exceeded it. The index of production computed by the Institut für Konjunkturforschung shows the position of the first quarter of 1928 as 128.4 (1924-1926=100) against 121.9 in the first quarter of 1927. In the second quarter, however, the figure of 121.4 against 122.5 in the preceding year shows a decline. Here the tendency which characterized the

¹ Translated by the National Industrial Conference Board.

economic course of the first half of the year is apparent. The peak of economic activity was exceeded, and a gradual decline during the period in question is clearly noticeable. The total production index fell from 127.8 in January to 118.1 in June. During the height of activity there was a general appreciation of the fact that the rapid development which caused it would necessarily mean that the position which had been reached could not be maintained, and that sooner or later setbacks would have to be expected according to the laws of business cycles. In some quarters it was even emphasized that the high degree of business activity was entirely or primarily a consequence of the increase of the German purchasing power in the domestic market, artificially inflated by foreign credits. After the domestic market became satisfied, it was felt that a setback would have to occur, since exports could be increased only in a slow manner. The question was only whether this relapse would take place in the form of a sudden drop and consequently be accompanied by a crisis, or whether a slow decline in economic activity would be possible. The latter condition would have made possible an organic reorganization of industry on a new lower level. Fortunately, no decline occurred during the period under consideration, and during the further course of the year it was possible not only to avoid such an occurrence, but signs were discernible of a new upward movement. It is not clear, however, whether this is not due only to special seasonal conditions.

EMPLOYMENT CONDITIONS

The relatively favorable development in the first half of this year is reflected in the employment and production figures. The number of unemployed in receipt of relief, which in January, 1926 was 2,031,000 and 1,827,000 in January, 1927, was considerably smaller in January, 1928, with 1,333,000. During the period under consideration it continually decreased to 611,000 in June. This, however, was not nearly as low as the figure of 541,000 for June, 1927, which is an indication that the employment possibilities have greatly decreased as compared with the preceding year. The

decrease in unemployment during the period in question was also closely related to the resumption of work in the other occupations (agriculture and building trades). In the remaining industries a certain firmness in the labor market was noticeable, and in industries particularly affected by the level of business conditions a definite uncertainty was gradually to be seen. Even today the number of unemployed, which is seriously increasing since the middle of the year although the figures of the most severe years have not been reached again, must be regarded as a particularly difficult problem of German industry. As a result of the demobilization of the army, the economic ruin of the class living on private incomes and the increase in female labor due to economic necessity, the number of persons forced to seek employment has increased by 3,500,000 as compared with the pre-war period, in spite of the losses incurred during the war. Furthermore, the adoption of labor-saving rationalization methods for the time being operates against a relief of the labor market.

ANTHRACITE MINING

Among the separate industries, anthracite mining calls for particular mention as being the only other industry in addition to potash mining, for which since the war the raw material is available to Germany within its own frontiers. German anthracite production kept on a high level in spite of the tremendous difficulties with which it was faced and which were particularly the result of resumed competition from British coal. The production during the first half of this year of 76 million tons was nearly as high as that of the corresponding period in the preceding year. But there was a decline in production from 13,400,000 tons in January to 11,800,000 tons in June, 1928. In this connection the effect of a substantial wage increase in the Ruhr mining district was undoubtedly of significance, since it lessened the competitive ability of the German industry. At the same time, however, the decreased demand, caused by a decline in business activity of German industry, may also have had a bearing. The position of the markets for Ruhr coal became

more and more difficult during the period in question. Competition from foreign coal increased even in those fields which hitherto had been considered non-competitive markets for Ruhr coal. Large quantities of British and Dutch coal were shipped as far as South Germany, and even in Central Germany where coal from the Ruhr has had practically a monopoly, the market for it is becoming smaller and smaller. The decrease in markets led in several instances to shut-downs in coal mining. Undoubtedly, the difficulties in market possibilities will continue, since the British coal industry continues to maintain low export prices and is being assisted in the competitive struggle by favorable water freight rates. Moreover, rationalized methods in organization and technique on part of the British mining industry are continually progressing. A European coal agreement is, therefore, particularly for Germany, a very important problem.

IRON AND STEEL

Next to coal, the iron and steel industry deserves particular attention as the basis of German industry. Pig iron production reached its peak in January, 1928, when it amounted to 1,180,000 tons. Since then it decreased steadily to 1,002,000 tons in June. Compared with the preceding year, the first half of 1928 shows a production of 6,586,000 tons against 6,366,000 tons. It was, therefore, slightly higher than in 1927, yet smaller than during the second half of 1927, with 6,739,000 tons. In the case of raw steel, too, a decrease in production from the peak was noted, with 1,469,000 tons in January to 1,295,000 tons in June. The total production of raw steel in the first half of 1928 was 7,914,000 tons as compared with 7,954,000 in the corresponding period of the preceding year, and 8,357,000 tons in the second half of 1927.

In the case of rolling mill products, a steady decrease in production has been observable since August of last year. In spite of this clearly discernible regression, however, the effect of continuous recuperation of the world iron market was felt in the mining industry of Germany. Only in this way could the still comparatively high figures be explained.

In January, as well as in May, prices were raised. In addition to increasing exports at increasing world market prices, the accumulation of orders before the price increases took place arrested the regression in the iron working industry which is usually noticeable at this time. While this industry still showed an import surplus of rolling mill products at the end of last year, an entire change has taken place and the export surplus has continually increased, while the domestic demand in the first half year of 1928 was smaller by 800,000 tons than during the corresponding period in 1927.

If in this branch of production the decrease in activity is not so evident, it is all the more noticeable in the finished products industries. Receipt of orders and activity in the machine industry have decreased. The former amounted to about 75% of normal. In the machine industry it was also possible partially to offset the decrease in domestic demand by the increase in export possibilities. Thus it was possible to maintain a relatively high level of activity.

In the steel products industry the degree of activity decreased gradually. Even those branches of the finished iron products industry which are not subject to seasonal influences felt the effects of unsatisfactory employment.

The position of the semi-finished metal industry, on the other hand, could not be characterized as unsatisfactory. The index of production of rolling mill products amounted to 136.9 in June against 137.5 in May and 140.9 in April (1924-1926 = 100). A downward movement is clearly recognizable. Yet, in spite of this, the consumption of copper, for example, in the first half of 1928, was 180,000 tons as compared with 161,000 tons in the corresponding period of the preceding year.

OTHER INDUSTRIES

In the textile industry, likewise, a decrease in activity has begun after the upward movement of 1927, which was particularly strong in this industry. Since last year, business has been characterized by a general reserve on the part of the buyers, and there was a practically general decrease in production in comparison with the preceding year. The

position of the cotton industry in particular has been gradually becoming less favorable; operation in nearly all spinning and weaving mills has been slackening. The consumption of cotton in Germany decreased in the second half of the crop year 1927-1928 to 761,000 bales, as compared with 824,000 bales in the preceding half years. Yet, the entire consumption of cotton of 1,585,000 bales for the year, from August 1, 1927, to July 31, 1928, is still an absolute record for Germany. It exceeds that of the preceding year of 1,420,000 bales, as well as the average for the years 1920 to 1925 of 1,025,000 bales, and that for the years 1908 to 1913 of the old larger area of 985,000 bales. In the wool industry, too, the orders on hand have declined. The decrease was noticeable almost exclusively in the domestic market. There was also observable a decline in the importation of yarns and materials, while in the export business no material changes were noticeable. However, in spite of the general decline it can not yet be said that a sales crisis exists in the textile industry, in view of the existing, although smaller, demand on the part of consumers.

A strong upward movement occurred in the current year in the automobile industry, which apparently is gradually overcoming the headway made by England and France. Figures are available for the first eight months of 1928, according to which the production of passenger cars increased by 36%, and sales by 39%, as compared with the preceding year.

The building industry showed a decrease of 16% in the number of building permits during the first half of this year as compared with the corresponding period of 1927. Nevertheless, in the first half of 1928, 18% more dwelling houses and 27% more apartments were completed than during the corresponding period of 1927, which is explained by the fact that much of the building was begun the year before. It is believed that the financing possibilities, which are an important factor in the German building industry, became somewhat easier during the middle of the year, so that it appears that the building trades will draw certain benefits from the general expansion of business activity, as was the case in the pre-war period.

The position of German agriculture has improved somewhat as compared with the preceding year. Nevertheless, its credit position is still strained and the profitableness of stock raising is still low. A certain relief in the condition of agriculture may result when this year's crops are harvested, which show not only a particularly good quality, but also higher yields as compared with previous years. There are, however, the dangers caused by the record harvests of the large overseas countries with large grain surpluses and with lower production costs. This is particularly true in the case of wheat. While rye crops in overseas countries appear to have been less satisfactory, the German rye harvest promises to be good, and satisfactory returns to the farmers may be expected.

THE PRICE LEVEL

The movement of the price level in Germany is particularly worthy of note. While in the United States it was possible to bring about a reduction in prices at a time of rising business activity, the unusual phenomenon of increasing prices during declining business activity was noted in Germany. The wholesale price index rose from 138.7 in January to 141.3 in June, after it had already experienced a considerable increase during the preceding highly favorable business conditions of the year 1927. The rise in the general price level is primarily due to the increase in the prices of industrial products and particularly finished products. The index number of prices of agricultural products rose from 132 in January to 136 in June; industrial raw materials and semi-finished products from 134.4 to 135; industrial finished products from 156.1 to 159.1. The fact that the level of prices of finished industrial products has reached a peak higher than that of any other commodity group is particularly regrettable, since the competitive possibilities of Germany in the world market primarily depend on finished manufactures, which compose 75% of the German exports. If one takes into consideration that the increase in prices in the first half year of 1928 was synchronous with a decrease in the prices of raw materials in the world market, this movement can not be characterized as normal. It may undoubtedly

be attributed to the increase in important charges upon German industry, such as the higher prices of the basic materials, coal and iron, as well as the numerous wage increases.

GERMAN CAPITAL SUPPLY

The development of the German capital market showed during the period under consideration that Germany's own capital supply is by far too inadequate to meet the demands of industry. The domestic capital savings in the first half year of 1928 may have been about the same as in the preceding year. Deposits at the savings banks increased from 5,100,000,000 reichsmarks in January to 5,900,000,000 in June. During the first half of 1928, Germany received 1,098 million reichsmarks in foreign loans against 370 millions in the first half of 1927 and 1,388 millions in the second half of 1927, of which 73.3% originated in the United States. In addition to foreign loans, considerable sums were lent by foreign countries through purchases of German securities. Moreover, because of the large influx of short-term loans from foreign countries, there was at times a considerable supply of foreign exchanges, with the result that the most important foreign exchange rates moved occasionally below par. The willingness of foreign countries to place capital at Germany's disposal has, on the one hand, prevented a sudden decline in domestic business activity and, on the other, it has increased for a time (until the spring) the willingness of German capitalists to invest in German securities. At the same time, it permitted the consolidation of a part of the short-term obligations contracted for purposes of investment. On the other hand, the stagnation of the domestic capital issue market has not yet been overcome. Since the beginning of the year, the subscription to domestic loans declined from 273 million reichsmarks in January to about 50 millions in June, a proof that the domestic capital market may still be described as very weak. An adequate supply of long-term credits in the future will therefore depend on further foreign assistance.

An estimate of the Institut für Konjunkturforschung places the new public and private indebtedness since the stabilization at 19,100 million reichsmarks, of which 4,900

millions were obtained by means of long-term foreign loans. The share of this long-term indebtedness which falls upon each industrial branch is as follows:

(As of June 30, 1928)

Public Economy	
Domestic loans.....	2,393 million reichsmarks
Foreign loans.....	2,119
Communal loans.....	2,977
Total.....	7,489 million reichsmarks
Industry, Commerce and Transportation	
Domestic loans.....	743 million reichsmarks
Foreign loans.....	1,788
Total.....	2,531 million reichsmarks
Municipal Land.....	5,997 million reichsmarks
Agriculture.....	3,036
Total.....	9,033 million reichsmarks

The totals of these three groups show long-term loans amounting to 19,053 million reichsmarks, of which foreign loans equal 4,906 millions or 25.7%.

The adequate supply of foreign money during the current year undoubtedly excited a favorable influence on the stock exchange. The price level of stocks, which in 1927 fell from 156 in the first quarter to 131 in the fourth quarter, recovered, even though slowly, to 136 in the first quarter and to 142 in the second quarter of 1928. Of course, the index of the Statistische Reichsamts (Federal Statistical Office), which takes into consideration the capital conditions of the companies according to pre-war standards, showed that in June, 1928, the valuation of the stocks amounted to only 49.4%, as compared with 100% in the pre-war period. Since then, it may be noted in connection with the stagnation of the German capital market, the stock exchange has remained on the same level, with only slight fluctuations.

FOREIGN TRADE

German foreign trade, which since the end of the inflation period has shown a steadily upward movement, continued to show further improvement during the first half of the current year. The difficulties which German export trade is

experiencing in consequence of high charges in the form of taxes and fees and high tariff walls, slowed up the necessary penetration of Germany in the world market but did not arrest it. Not including reparation deliveries in kind, which in the final analysis must be considered as German exports, the monthly average of German exports during the year 1924 amounted to 540 million reichsmarks; in 1925, 733 millions; 1926, 820 millions; 1927, 850 millions; and in the first half of 1928, 923 million reichsmarks. As compared with 1924, therefore, the value of exports has almost doubled, and if one takes into consideration that in the second half of the year exports are generally considerably higher than in the first half, the figure for the entire year 1928 may be expected to be more favorable. With due consideration to the decreased purchasing power of the reichsmark, however, it will probably not even then equal the figure of the last pre-war year.

The value of German exports during the first six months of 1928 amounted to 5,538 million reichsmarks against 4,747 millions in the corresponding period of the preceding year. It increased, therefore, by about 800 million reichsmarks. At the same time, imports increased only by about 500 millions, from 6,722 millions to 7,202 million reichsmarks, in consequence of an increase in the imports of raw materials, semi-finished products and finished products, the imports of foodstuffs remaining the same. The unfavorable trade balance, which in the first six months of 1927 amounted to 1,975 millions, decreased to 1,667 million reichsmarks. Since the beginning of the year, the unfavorable balance of German trade has diminished from 496 million reichsmarks in January to 215 millions in June as a result of slightly increasing exports and considerably decreasing imports. Yet, the tremendous height of the import surplus points to the limits which are confronting an increase in exports.

Foreign trade figures clearly reflect the general standstill of business conditions, and since the spring, even a regression in business activity. Although in the first half of the current year, total imports were about three per cent lower than those of the second half of 1927, that may be regarded rather as the result of very large importations of foodstuffs in the

second half of the year 1927. The quarterly figures show clearly that in the first quarter of 1928 imports and exports were still in harmony with the peak of business activity, while later imports fell below the level of 1927. Essentially, the decline in imports—from 1,357 million reichsmarks in January to 1,108 millions in June—may be attributed to the decreased demand of industry for raw materials and finished products of foreign countries in consequence of the decline in business activity. It is also interesting to note that the share of foodstuffs, which in 1925 amounted to 33.5% of total imports and in 1927 to 32.1%, fell in the first half of 1928 to 29.8%. This fact leads to the conclusion that the ability of German agriculture to support the population from its own production has further increased.

Exports of Finished Products

The most important item in German exports, namely, finished products, has developed very satisfactorily. These products account for three-quarters of the total exports and since 1927 have even exceeded the level of 1913 on the basis of pre-war values. This proves that German workmanship is regaining its old reputation in the world markets in spite of competition of, and industrialization in, foreign countries. Not only in absolute figures, but also in relation to the other German exports, finished products have increased considerably. While in the preceding years, their share of the total exports was about 73.2%, in the first half of 1928 it amounted to about 75%. Nearly all finished products show a considerable increase in exports, while exports of raw materials and semi-finished manufactures, which on the whole have also increased, are relatively less important. In this case, the reappearance of England in the world coal market after the cessation of the strike caused a decline in the German sales possibilities. Against an export of 338 million reichsmarks in the first half of the year 1927, the value of exports of coal, coke and briquettes during the corresponding period in the current year amounted to only 211 million reichsmarks.

The increase in exports of German finished products shows for the first half year of 1928 a surprising improvement in

the separate commodity groups. A particularly strong upward swing was noted in the German machine industry, the exports of which rose by more than 90 million reichsmarks, from 326 millions to 417 millions. Electrical machinery is not included in these figures. This, together with the remaining electro-technical products, reached an increase in exports of 55 million reichsmarks. The iron industry, too, occupies an important place. This industry exported to the value of over 773 million reichsmarks, that is 73 million reichsmarks more than during the preceding year.

The exports of chemicals increased by nearly 60 million reichsmarks from 479 millions to 546 millions. A similar increase was made by the German textile exports, and nearly an equal increase in the case of cotton, wool, and silk. In this connection, the success of German artificial silk in foreign markets in particular must be kept in mind. Clothing, linens and other finished textile goods are not included in these textiles. These increased by nearly 20 million reichsmarks to 149 millions. If one considers the fact that German yarn exports, particularly wool yarns, increased by 40 millions, the total German exports of finished textiles rose by nearly 120 million reichsmarks, to nearly 800 millions. Considerable importance may also be attached to the German exports of furs and fur products, which with 151 million reichsmarks, registered an increase of 55 millions as compared with the corresponding period a year ago. Furthermore, the considerable increases in the exports of base metals should be mentioned, particularly copper products, and the increased exports of leather and leather goods, paper, glass, rubber, celluloid and "galalith" products, toys, watches, musical instruments, bicycles, boats, books and music, ceramic goods, furniture and wood products, and other products. Those mentioned, alone, amounted to far over 150 million reichsmarks.

It is of interest that the German automobile industry, which because of the war was forced into the background as compared with the industries of other countries, is making successful efforts to change this position. Even if automobile imports are still very much larger than exports, it was possible in the first half of the year 1928 to diminish the

unfavorable balance by 10 million reichsmarks to 12 millions in consequence of an increase in exports from 11,700,000 to 24,700,000 reichsmarks.

RELATION TO WORLD INDUSTRY

Without a doubt, during the first half of 1928, German industry still showed a favorable position according to all indications. It has been pointed out in detail to what factors this is attributable. Without foreign assistance it would not have been possible for Germany to reach this level; without further foreign assistance it will not be possible to maintain it. In looking upon the brilliant appearance of German economic life, one must not overlook the tremendous difficulties with which it is faced, and which, above all, consist of enormous charges and, in consequence of these, in decreased profitableness. Germany has to find large sums for reparations payments. These result in increased taxes, higher freights and as a result higher prices. Because of this, not only is the standard of living of the German people narrowed, but also the possibility is decreased of obtaining the sums to be transferred to foreign countries through an export surplus of goods and foreign exchanges.

It is a recognized fact today that the sums to be transferred for reparations payments would not have been possible without the aid of foreign money. In the future, however, it can not be counted upon that Germany will have an export surplus, since numerous large countries are shutting themselves off commercially and since Germany in consequence of the loss in territory must import more raw materials and foodstuffs than before the war; nor can it be assumed that during the entire period of the operation of the Dawes Plan, foreign loans will relieve Germany of the burden. Such a development is limited, moreover, by the fact that the interest charges to be paid by a country can not be increased indefinitely. There are tremendous difficulties, which under given circumstances may have their effect in the near future. It may be hoped that the solidarity of the countries united in the world economy will find a way which, acceptable to all, will enable Germany to master the difficulties which may be expected.

ECONOMIC CONDITIONS IN FRANCE DURING THE FIRST HALF OF 1928

Report of Professor André Siegfried, L'Ecole Libre des Sciences Politiques, Paris

ECONOMIC conditions in France during the first six months of 1928 have shown no development of any exceptional character. The private efforts—both individual and collective—toward recovery and reconstruction, which have been at work since the Armistice, have simply continued. The main results of material reconstruction had been realized in 1923 or 1924; they have proceeded. In France, this slow, silent, continuous effort of a great mass of obscure people remains an essential element of wealth which should never be forgotten.

From another point of view, however, the period of the last six months has been momentous, since the stabilization of the franc—now legal after having been existing *de facto* for sixteen months—has introduced into the life of the country a new factor of equilibrium and strength. This achievement is the crowning phase of the financial program which in July, 1926, M. Poincaré endeavored to realize; it is also the end of the phase in French history which could be called “the reconstruction period.” In that sense, 1928 is an important date.

The economic consequences of this great event can not yet be observed and it is too early to speak of them. But the psychological factors which have made the new monetary régime at the same time possible and necessary must and can be analyzed as of extreme importance for a correct understanding of France.

It can truly be said that the country has had stabilization since December, 1926, when the franc was pegged between 124 and 125. But if the French people have accommodated themselves to these new conditions of stability, the legal recognition of the fact nevertheless brings something new in post-war French history. In this respect, the psycho-

logical and political aspect is dominant; spontaneous economic adaptations have been at work for many months, but we have come now to a point where the intersection between economic and political trends appears. There rests the real significance of the present period.

THE FRANC AS A POLITICAL FACTOR

After the crisis of the World War, France has not yet recovered sufficiently to stand with impunity just any kind of government. A young and rich country can indulge imprudent political leaders, but France, in her present state, can not. The imprudence of the financial policy of the *Cartel des Gauches* after the 1924 elections nearly killed the franc. Two years of a sound government with Poincaré restored it to a certain extent, but sensible Frenchmen know that even today the resumption of bad financial methods would again bring a crisis—not perhaps a mortal, but indeed a dangerous one. The problem now, as in 1926, remains primarily political.

The conditions of what has been called “the Poincaré experience” are not generally fully understood. Politically, the French belong mostly to the Left parties, which means that they are democratic, anti-clerical, and hostile to the dictates of capital and organized money power; but, socially speaking, they are moderates and even conservatives, because in that country of thrift nearly every one of them has saved and owns something. It is extremely difficult to maintain in France a government which satisfies both tendencies; if a cabinet leans towards the Left, acquired wealth is frightened; if it relies on the support of the Right in order to safeguard conservative interests, Catholic and plutocratic influences are at once dreaded. At the worst of the crisis of the franc, in July, 1926, the Right was unable to govern because it did not win the political confidence of the people, and the Left was equally unable to govern because it did not win their financial confidence.

The genius of Poincaré in this crisis was to understand that he must try to be at the same time politically democratic and financially sound and moderate. Such was the pro-

gram of his "union nationale," in which the political departments of his cabinet were held by men of the Left, and the economic or financial departments by moderates and even conservatives. The country was fully satisfied with the suggestion and the House had to support it because the necessity of saving the franc was foremost. Thus was Poincaré able to carry out a financial program which again brought the budget to a full equilibrium, which was the key to further progress.

But the country was regularly called, at the general elections of April 22, 1928, to give its opinion about the experience. During the first weeks of the year, business circles were anxious concerning the result. The "union nationale," that is, the support of all parties, including the Left, was necessary for a continuation of the Poincaré policy. But it was obvious that the socialists and a good number of the radical-socialists persistently desired a separate action, although it could be observed at the same time that the country at large remained favorable to the Left. And yet, as the time of the elections was nearing, it appeared no less evident that the great mass of the electors, although keeping their former political tendencies, felt quite satisfied with the Poincaré experiment. Thanks to it, they enjoyed a stabilized franc, while the democratic régime was fully safeguarded. (Poincaré is an old and faithful republican and, at bottom, an anti-clerical). It became impossible for any candidate to dispense with the prime minister's support. The elections became a plebiscite in his favor.

But under that high tide of popularity, the old streams of former political parties continued to exist. Although the stabilization of the franc was voted on June 25 with practical unanimity, and although on June 29 the Poincaré cabinet secured a vote of confidence of 451 against 120, it is easily observable that a sort of *cartel des gauches* is latent in the new House—a definite menace for the continuation of a "union nationale" of all parties. If the politicians feel too confident that every danger for the franc is over, they may be tempted to discontinue the policy of union which has been responsible for the remarkable achievements of the last two years. This is the real danger in the new House.

The reactions of these political currents were directly felt in the economic world and have played a leading part in the business evolution of the last months. Early in 1928, lack of confidence in the electoral success of Poincaré was not uncommon, but the real feelings of the country—as they have been described—soon began to be known. Confidence then arose on the assumption that stabilization was near at hand, or at any rate that the Poincaré cabinet would be confirmed for a material length of time.

This outburst of confidence, which was not limited to the French but extended also to foreigners, expressed itself in a large buying of French securities at the Paris Bourse; the movement, which had begun before Easter, came to its maximum when the results of the elections were known. As soon, however, as the new members began to reach Paris it was easy to see that the new House might not be so easy to manage as the last one had been (at least during the second half of its term). Since the Bourse of May 21, although no sensational fall has occurred, the bullish spirit which had prevailed for more than two months has no longer been apparent. Even the vote for the stabilization of the franc has not brought a definite resumption of the upward movement—which means, perhaps, that the effects of the new measure had largely been discounted.

It should be said, of course, that the financial situation has so much improved that France is no longer, as it was two years ago, at the mercy of the imprudence of political parties. But the period of extraordinary political quietness which has prevailed since July, 1926, may not last; such a latent threat, which will not at all prevent production and exchange from developing safely, might, of course, act as a brake against bullish tendencies. The country is now resuming a normal course in which the usual political discussions must be expected, while the true strength of France rests in the silent and ceaseless effort of every Frenchman.

POLITICAL ASPECTS OF STABILIZATION

It is important now to analyze in what spirit the political and business circles have accepted the stabilization of the

franc; it is also interesting to know what "the man in the street" has thought of it—if he has thought anything.

When Poincaré came to power in July, 1926, the franc had fallen nearly to fifty for a dollar, and his first aim was to attempt to revalorize it. There were some people who thought that the franc should be stabilized at a very low level; the prime minister hated such an idea and so did the great majority of the French. They felt that at fifty for a dollar, or 240 for a pound, the franc was too low. With them, it was to a certain extent a matter of sentiment—the fear of being driven to the abyss, the distaste of seeing small fortunes expressed in francs totally washed out. (For several generations the small bourgeoisie, and the mass of the people had invested their savings mainly in bonds or public securities, not in shares). The feeling of business was somewhat different. Business people feared a collapse, but most of them did not feel directly concerned in a fall of the franc because they could raise the prices of the commodities they sold; in fact, many felt that business activity was fostered by the fall of the exchange. That is why, although dreading a vertical collapse, they would have been satisfied with a stabilization at any level, and opposed—if not openly at least *in petto*—any sort of revalorization which would have been too rapid. Such a point of view was shared by those who, as an insurance against the fall of the franc, had bought foreign securities or currencies.

Poincaré wanted to restore confidence by a policy of financial seriousness in which business supported him; he also thought that the recovery of the franc would be a spontaneous result, an idea which the mass of the people welcomed. How far he wanted to improve the franc, he did not say, and probably did not know. In fact the upward movement was spontaneous. When the franc reached 160, after a rise from 240, the Banque de France began to buy large quantities of dollars and pounds; it was then supposed, in September or October, 1926, that the rise would not go any further. It was against the obvious desire of business interests that the pound fell to 130, to 120, and showed in December, signs of a further fall. The protests of business assailed the prime minister with the fear of an industrial crisis if the franc

should continue its rise in value. It was at this point that, by the interference of the Banque, the level of 124 francs for a pound was fixed, a level which has been steadily kept since.

The French had become so diffident that they thought the franc would always have to be defended against depreciation. The contrary happened and for more than one year the Banque de France had to prevent a recovery (which was thought detrimental to prosperity) rather than a depreciation. Stabilization seems to have been at last decided in June, 1928, not because Poincaré wanted it, but because the Banque was reluctant to buy indefinitely more pounds and dollars.

Stabilization is now a fact, but great numbers of the people have never understood what has happened; they still believe that prices are high, but do not realize that French currency has undergone a depreciation. They know that they have to pay five or six times more francs for commodities than before the war, but they do not realize that prices as expressed in gold are remarkably low. In fact, at the time of the stabilization, numbers of people still hoped that some day the franc could regain its former pre-war level. It is natural that bondholders should share such a hope. The attitude of farmers and of small business people was not so clear; through sentiment and ignorance many desired a full recovery of the franc—with it well understood that the prices of the particular produce they sell should not be diminished! If a plebiscite had been made at the time of the general election, on the question of the full revalorization of the franc, great numbers would probably have voted for it. It was common to meet such an opinion among members of the House and of the Senate; such views were even found among leading financiers. The argument was that the credit of the country would be shaken by the admission that the franc would never in the future be worth more than four cents.

Business circles have not viewed the question from that angle of vague sentimentality. Production has accommodated itself, a long time since, to the present level of prices and has asked nothing else than a confirmation of the stabilization which has existed *de facto* since December, 1926; it

knows too well what amount of energy, let us say of heroism, is needed in the case of a policy of revalorization.

In political circles the tendencies remained, up to the last moment, rather obscure. The revalorization spirit which was existing in the country made itself felt in the lobbies of the House. *De facto* stabilization was a necessity, but there remained the hope of a further rise in value of the franc. From an electoral point of view this was the best position; business could enjoy stability, while no one would be deprived of any hope for the future—it being well understood that such a hope will never be realized. I have met important leaders who declared that stabilization meant an intolerable failure.

But a time came when stabilization appeared as a necessity, and when these velleities had either to express themselves or to disappear. The discussion of the stabilization has shown that they were, in fact, of little importance. Strange to say, the opponents to stabilization appeared to be especially numerous in the right part of the House, where one would have expected business interests to prevail. On the contrary, the Left was in favor of the move; in fact, socialists and radicals accepted the new legal régime as a simple confirmation of an already admitted reality. As political *arrière-pensées* are never lacking, many thought that once the stabilization was voted, they would recover their political liberty and would no longer be pledged to a policy of "union nationale," in which the lead does not belong to any one party. At any rate, it was clear that Parliament felt condemned to an inevitable solution—legal stabilization.

The discussion was devoid of passion and the vote was nearly unanimous. If the socialists did not give their support, it was not that they disagreed but that they declined to accept a political responsibility. As to personal opposition on the ground that stabilization was a failure and especially hard for those of small wealth, they remained divided individualities. Having to deal with a technical measure, which few, to tell the truth, technically understood, the majority felt obligated to follow the leadership of the government, especially with a prime minister whose prestige in the country is enormous. In the country, up to now, emotion

about the issue has been lacking. If there had been hope, on the part of some people, of seeing the franc climbing again to forgotten levels, that hope was so vague that disillusion hardly exists.

POSSIBLE ECONOMIC EFFECTS OF STABILIZATION

It is too early to know what the effects of the stabilization will be, but it is interesting to state various opinions about them.

In business circles it is generally admitted that the effects are already in the past rather than in the future, since the franc has really been stabilized since December, 1926. A small crisis, as a consequence of the rapid revalorization of the franc in the second half of 1926, was indeed felt early in 1927, with the indication (but nothing more) of a state of unemployment; but it was quickly overcome and conditions which can be called normal were resumed in the course of the year 1927. Efforts to readjust costs of production to new levels were, I dare say, greatly facilitated by the fact that prices had not in 1926 followed the erratic movements of the franc. Over the level of about 150, the fall of the franc had been a psychological, political factor, and also a good reason for speculation, but it had not become an economic factor; the adjustment which producers had to achieve was not therefore as great as might at first be believed. But from another point of view, the French can no longer rely on the bounty which a depreciating currency provided. Of course there remains, as in Germany, the advantage that old gold debts are paid in paper, but in the future, French industries will have to operate under normal conditions.

There is a common belief that prices may undergo an upward movement, a belief which is a part of the general skepticism which has been brought by the war and the post-war financial crisis. But people do not realize that the stabilization is really no new thing, and that it has had plenty of time to produce its consequences. The question is raised by competent people, however, as to whether the low gold prices which prevail in France can be kept, in the future, at a much lower level than in the rest of the world. It is a com-

mon belief that they can, at least to a certain extent. France produces the main part of the goods it consumes, and the French remain, as before, frugal and thrifty.

Whatever may have been the difficulties of the industrial readjustment, it is certain that they have been largely compensated by the impetus which the feeling of security brought by the Poincaré policy has given to business. This feeling of security existed as early as 1927. The new element which the year 1928 has brought into account is, I suppose, the realization by the public—especially after the vote of the stabilization—that the return to normalcy is serious and that it is possible to take advantage of it, in reconsidering all the values according to the new legally admitted standards.

Such is the basis of the debate, thanks to which many people—both French and foreign—have thought that the price of most securities should now be multiplied by five, as compared with 1914. Foreigners seem generally to have admitted the soundness of this argument, and have accordingly pushed the prices of the greatest French securities to levels where the yield has often fallen lower than 2%. Many business people believe that such optimism may have been excessive, since the conditions are no longer the same as before the war. Account must be taken of very heavy taxes, which did not exist before; the formation of big reserves has been discounted, but these reserves may appear some day as a tempting prey for collectors of taxes, and their yield may not amount, from a business point of view, to the expectations of the buyers. Whether the yield of these securities will increase in relation to the capital prices they have reached, or whether on the contrary, a yield of 2% such as exists in many cases on the present capital prices is a sound one, are problems which are recognized but which up to now remain unsolved. On the other hand, especially in a country like France, the feeling of confidence in the future is a factor of which the importance can not be exaggerated.

GENERAL ECONOMIC TENDENCIES DURING THE PERIOD

I have endeavored to give some idea of the general atmosphere of France at the end of six months which mark an

important period in the history of the country, if not by the beginning of new trends, at least by the solemn confirmation of a new equilibrium. That is why—with the exception of securities and their prices—there is nothing sensational in the economic evolution during the last six months. Obviously, some sort of economic normalcy has been reached, which can be observed in the level of business activity, in the trend of foreign trade, or in the movement of prices and wages.

INDUSTRIAL ACTIVITY

Two principal general indices of production are to be considered here—one established by the *Statistique générale de la France*, the other by the *Société d'études et d'informations économiques*. With some slight differences, both of them give indication of the same trend.

BAROMETER OF INDUSTRIAL ACTIVITY, 1913–1928, FRANCE

	Société d'études et d'informations économiques	Statistique générale de la France
<i>1913</i>		
Present territory.....	100	100
Pre-war territory.....	83.7	..
<i>1927</i>		
January.....	110.84	118
February.....	117.81	114
March.....	118.18	109
April.....	111.18	103
May.....	116.38	104
June.....	110.47	105
July.....	111.23	105
August.....	113.12	106
September.....	108.77	107
October.....	124.12	110
November.....	114.14	112
December.....	125.35	115
<i>1928</i>		
January.....	113.68	116
February.....	120.67	119
March.....	121.82	123
April.....	121.71	123

If we glance at the index of the *Société d'études et d'informations économiques* for the last five years, we see that the prog-

ress, although broken and irregular, has in fact been continuous. It seems that the end of the year 1923 marks the time when a production equivalent to the pre-war production had again been reached. The great work of reconstruction was then practically terminated. The improvement has continued since, although the financial and monetary conditions of the country between 1923 and 1926 have proved extraordinarily unsettled. In fact, several periods of exceptional activity appear to be linked with acute crises in the value of the franc, for instance, in the spring of 1924, at the beginning of 1925, and most of all at the end of 1925 and the beginning of 1926. From the end of 1926, there seems to be a standstill, with exceptional activity at the end of 1927.

Considering especially the last sixteen months, we can easily observe the consequences of the rapid revalorization of the franc between July and December, 1926, as confirmed since December, 1926 by the *de facto* stabilization upon which we have laid so much stress. The first half of 1927, whether we consider one index or the other, is obviously a period of stagnation, coincident with the crisis which we have mentioned before. There is an evident resumption of activity in the last three months of the year, which seems to be confirmed in the first four months of 1928.

The level of activity in production is indeed satisfactory, comparing favorably with last year; coal production remains at about the same level, while iron ore, pig iron and steel show an increase. Loaded railroad cars are on the increase and railroad receipts are at very much the same level. Customs receipts are satisfactory. Bank deposits are much higher than last year, a fact which can safely be linked with the return of confidence. Imports of coal are less than last year, although showing a recovery since the middle part of 1927; imports of mineral oils remain high; exports of cotton tissues, of woollens, of silk goods and of lingerie compare favorably with last year; motor cars are exported in less quantities.

The general impression is the following—at bottom there is a real prosperity in the country, which you may feel if you live in close touch with ordinary business circles. France has passed rather easily from the abnormal period, which lasted till the end of 1926, to the rather normal period which began

about a year ago. But it must be expected, now that stabilization is an admitted fact, that production will eventually lack such incentive as has existed in previous years in the constantly depreciating currency. Producers will have to rely simply on their own merits; they acknowledge the fact and feel ready to meet the situation.

TENDENCIES IN EXTERNAL TRADE

Since the franc has been practically stabilized, the question of the commercial balance does not cause so much anxiety as before, but it remains of exceptional importance—of much greater importance than in 1914, since France is no longer creditor of the world. We depend essentially on our exports of goods for the remittance of our foreign payments. France could not, as it did before the war, safely exist and prosper with an adverse trade balance. The necessity of a permanent change in that respect is closely watched every month and every year.

As will be remembered, the negative balance in 1913 was of 1,541 million francs. After a period of complete, and I dare say, catastrophic, lack of equilibrium during the war and immediately after the war, there has been a rather rapid recovery. Since 1924 the balance of trade has always been favorable, a situation which was practically unknown in the pre-war commercial history of France. In 1927 the surplus of exports reached 2,372 million francs—paper francs, of course, a fact which lessens the value of the export excedent, but nevertheless leaves a difference on the safe side.

We must, however, look a little closer into the elements of the situation. In 1927 the imports reached 52,852 million francs, a total which amounts to 10,570 million gold francs. This figure marks an increase of 25% over the imports of 1913. On the other hand, the exports reached 55,224 million francs, that is, 11,044 million gold francs, an increase of 60% over 1913. Exports have increased at a higher ratio, which is typical of post-war France.

If the increase in imports has been merely 25% (and is, in fact, non-existent if we take account of the increase in gold prices), it is because France buys less manufactured goods;

it may also be because the prices of some important raw materials remain low. The depreciation of the franc has diminished the buying capacity of the country abroad; although we buy more motor cars and tobacco, we buy less chemical and mechanical articles, less textile goods and fewer art products. On the other hand, France's capacity for production has increased, since it now possesses new territories and since new French industries were created during the war. That is the reason the French exports have been easily increased; exports in metallurgy and mechanics, in chemical goods, in textiles, all show important increases. The branches which have contributed most to that progress are the chemical trade (351 million francs in 1913 and 625 million gold francs in 1927) and the mechanical trade (532 million francs in 1913 and 1,274 million gold francs in 1927). Agriculture, up to 1928, had made little contribution to the progress in exports.

It had been feared that the stabilization of the franc would prove unfavorable to French exports. This has not been so, at least as yet. The first five months of 1928, as compared with the first five months of 1927, show no decided change in the trend of the French foreign trade, although the adverse balance is greater. The excess of imports was 130 million francs in 1927 and 591 millions in 1928.

EXTERNAL TRADE OF FRANCE FOR THE FIRST FIVE MONTHS OF 1928, BY VALUE

	1928	1927	Increase or Decrease
<i>Imports</i>			
Food products.	4,696,840,000 francs	6,200,230,000 francs	-1,503,390,000 francs
Raw materials.	14,051,200,000	14,014,032,000	+37,168,000
Manufactures.	2,877,983,000	2,338,937,000	+539,046,000
Total import	21,626,023,000 francs	22,553,199,000 francs	-927,176,000 francs
<i>Exports</i>			
Food products.	2,582,635,000 francs	1,927,920,000 francs	+654,715,000 francs
Raw materials.	5,484,203,000	6,955,205,000	-1,471,002,000
Manufactures.	12,908,501,000	13,540,257,000	-631,756,000
Total exports	20,975,339,000 francs	22,423,382,000 francs	-1,448,043,000 francs

As can be seen by the table, there is a decrease in 1928 of 4% in the imports and of 6% in the exports. The fall in

imports is largely due to the fact that imports of food products have greatly decreased, not because they are abnormally low this year, but because, on account of the condition of harvests last year, they had been rather high in 1927. The decrease in exports is due to lesser exports of raw materials and manufactures, a matter of prices, since the weights show an increase in raw material exports. On the contrary, a large increase in food exports may be observed, which is the obvious consequence of the resumed liberty of exports in that branch of production.

The figures for weights are interesting to study.

EXTERNAL TRADE OF FRANCE FOR FIRST FIVE MONTHS OF 1928, BY WEIGHT

	1928	1927	Increase or Decrease
<i>Imports</i>			
Food products.....	2,053,072 tons	2,947,577 tons	—894,505 tons
Raw materials.....	17,164,710	18,703,226	—1,538,516
Manufactures.....	528,361	498,420	+29,941
Total imports.....	19,746,143 tons	22,149,223 tons	—2,403,080 tons
<i>Exports</i>			
Food products.....	721,114 tons	451,011 tons	+270,103 tons
Raw materials.....	13,867,530	12,590,228	+1,277,302
Manufactures.....	2,020,053	2,096,157	—76,104
Total exports.....	16,608,697 tons	15,137,396 tons	+1,471,301 tons

There is a decrease of 11% in the quantities imported, mostly due to a decrease in imports of raw materials; the exports are greater by 9½%, although this is not realized in the value of exports, on account of prices. But the comparison with the first five months of 1913 is exceptionally interesting. The imports in 1928 are greater by 1,754,322 tons, or 10%, but the exports are greater by 8,278,364 tons, or 100%. This striking progress is the consequence of the return of Alsace and Lorraine, and of the development which has made of France, more than in the past, a country of heavy industry. Such figures show clearly the great change which the country has undergone since the war. It remains, as in the past, mainly agricultural but it is more industrial than before; and within the industrial activity, the heavy

industries, as compared with the luxury and "quality" production, hold a proportionally more important place. And yet, I should not dare to say that the character of pre-war France has been decidedly modified in its general harmony.

The trend of the economic activity can be closely followed, in external trade, in the monthly figures of the last fifteen months.

MONTHLY IMPORTS AND EXPORTS OF FRANCE FOR 1927 AND 1928

	Imports (In Thousand Francs)	Exports (In Thousand Francs)
<i>1927</i>		
January.....	4,057,837	4,696,584
February.....	4,744,679	4,577,508
March.....	4,421,447	4,646,209
April.....	4,371,097	4,215,885
May.....	4,989,497	4,280,826
June.....	4,557,813	4,417,129
July.....	4,068,183	4,499,160
August.....	3,771,146	4,287,185
September.....	3,571,508	4,545,308
October.....	4,475,972	5,049,987
November.....	4,631,779	4,870,540
December.....	5,215,962	5,020,340
<i>1928</i>		
January.....	4,123,922	4,016,537
February.....	4,320,805	4,423,363
March.....	4,525,495	4,318,909
April.....	4,604,248	4,297,078
May.....	4,051,553	3,985,452

The impression is one of stability, with a tendency toward a decline in both imports and exports during the first months of 1928 as compared with the first months of 1927. As I have said, there is no crisis, but the bounty of a depreciating exchange is now lacking. At the same time, the capacity of production and of export of the country has greatly increased. One may be allowed to expect a balance of trade which will be neither adverse nor very distinctly favorable.

THE MOVEMENT OF PRICES

Since the period of July to September, 1926, the general trend of wholesale prices was a continuous fall until Novem-

ber, 1927, at which date an upward tendency was again marked. Since then, this upward tendency, although not sensational, has been steadily maintained. The lowest index reached was 607 in November, 1927. From December, 1927 to May, 1928, the trend has been as follows:

December, 1927.....	617	March.....	636
January, 1928.....	620	April.....	637
February.....	622	May.....	646

At this level of 646, the index still remains 224 points lower than in July, 1926. At the end of May, 1928, the various elements of the general wholesale price read as follows:

National produce.....	631	Sugar, coffee, cocoa.....	692
Imported produce.....	673	Materials for industry.....	677
Food.....	610	Minerals and metals.....	593
Vegetable food.....	670	Textiles.....	764
Animal food.....	515	Miscellaneous.....	677

The comparison of industrial and agricultural prices leads to interesting observations. Industrial prices had shown a decline up to the beginning of 1928, but have shown an increase since. Agricultural prices, on the contrary, showed a strong decline from June to December, 1927, but have gone up again in 1928. During the first half of 1927, agricultural prices were higher than industrial prices; from the middle of 1927 to April, 1928, industrial prices had the lead; since then, the reverse condition has been true.

The general upward tendency of prices since the end of 1927 can be explained by international factors. It may be, also, that the policy of the Banque de France in buying pounds and dollars against notes issued in payment has increased the buying capacity of the public and thus led to an increase in prices. The great amount of available money has found its way towards the Paris Bourse; it has also tended to make prices firm.

Retail prices have followed wholesale prices quite closely, although, as usual, with some delay. The peak of retail prices was reached only in November, 1926, with the index 628, when wholesale prices had already shown a tendency to decline. This fact, though perfectly natural, was not understood by the public, which considered it a sort of scandal that retail prices continued to progress while the dollar, the

pound and the wholesale index were declining. From December, 1927, retail prices began also to fall, reaching their lowest level in November, 1927 with the index 500. An upward movement has been observed since:

December, 1927.....	523	March.....	524
January, 1928.....	530	April.....	532
February.....	522	May.....	546

Cost of living figures, as they are compiled by the *Statistique générale de la France*, have not changed greatly during the last sixteen months (Paris):

1927		1927	
First quarter.....	524	Fourth quarter.....	498
Second quarter.....	525	1928	
Third quarter.....	507	First quarter.....	507

Such a level is rather low. Of course, the French money has kept only one fifth of its former buying power, but on the other hand it can not be forgotten that gold prices have increased all over the world by more than 50%. As we have said, France may normally possess a lower level of prices than other countries, but if we consider the various elements of this cost of living, some obvious explanations also suggest themselves to the mind:

Food produce.....	521	Sundries.....	590
Heat and light.....	547	Housing.....	275
Clothing.....	581		

It is clear that the housing factor contributes more than any other to keep the level low. Rents have been, since the war, subject to strict regulations, and the house owners have not yet recovered their full liberty of action; if they should do so, the cost of living would very quickly show a distinct rise. In that respect, France is still living partly in the artificial economic atmosphere of the war.

Wages have followed, and to a certain extent even risen above, the level of wholesale prices; their increase is certainly greater than the increase in retail prices and in the cost of living. According to the *Statistique générale de la France*, the index for men's wages was 720 (per hour) at the end of 1927 and 593 (daily wage), as compared with the base of 1911 as 100. For women, the corresponding indices are respectively 787 and 648. The average daily wage for

men was 4 Fr. 61 in 1911, 23 Fr. 25 in 1925, 26 Fr. 93 in 1926, 27 Fr. 34 in 1927; the average daily wage for women was 2 Fr. 29 in 1911, 12 Fr. 24 in 1925, 15 Fr. 29 in 1926, 14 Fr. 84 in 1927. Such wages are striking because of their low level; they also appear to have been rather stable during the last years.

Workingmen have been afraid of a policy of revalorization because they feared that employers would try to reduce their wages; on the other hand, the employers feared that in the case of a revalorization prices would go down while salaries would remain at their former level. In fact, for these two contrary reasons, both workingmen and employers have agreed to support stabilization as a guarantee that the present equilibrium will be kept. This fact shows that such an equilibrium seems, after all, tolerable to both. The number of unemployed remains unimportant.

All these facts confirm the opinion which we have expressed in this report that the adjustment to the new conditions of a franc stabilized at the present level is already very largely behind, rather than ahead.

CONCLUSION

Such are the conditions which prevail in the first half of 1928. France has had to overcome two great crises: the crisis of the war and the crisis of reconstruction. The country has paid for these two crises by a third one, which was the monetary crisis. Every sensible Frenchman admits that the depreciation of the franc has been the necessary condition of the recovery of the nation, because it automatically lightened burdens which would otherwise have been intolerable. After such ordeals, France felt that it was impossible to face a new crisis of adjustment in the form of a revalorization. That is why the year 1928, with the stabilization of the franc, may be safely considered not only the closing of a period but the beginning of a new one. The thrift of several generations has been partly, and even largely, wiped out, but the equipment of the country is again in good order and probably in better condition than before.

Leaders in the country, I think, understand the meaning of

this situation. It is not without some regret that they accept stabilization as a necessity to which there was hardly an alternative. It means the equivalent of a liquidation, which was already done although not yet admitted. Return to normalcy will now mean less sensational movements in prices. In fact, such an atmosphere has already prevailed since the end of 1926, and the first six months of 1928 confirm the belief that the turning point was two years ago.

ECONOMIC CONDITIONS IN ITALY DURING THE FIRST HALF OF 1928

Report of Signor Alberto Pirelli, of Pirelli of Milan, Milan

AGRICULTURE

ALTHOUGH it is not yet possible to give definite data for the 1928 harvests, the reports to date are satisfactory and a good, if not an excellent, cereal yield is expected. The atmospheric conditions in the spring were unpropitious, with excessive rains and prolonged cold, but toward the close of the growing season they improved; moreover, the government educational campaign for improved cultivation is showing results. Forage crops have been abundant, and the weather has favored roots and legumes. The outlook for the vineyards is good, and that for the olive crop, excellent. Credit facilities available to farmers are steadying the market, the price for home-grown wheat averaging 122 to 127 lire per quintal. The relief from agricultural depression which may be expected to result from this situation will do much to improve general conditions on the home market.

The latest reports show that the important silk cocoon crop is approximately the same as in 1927, when a good average yield of 50,701,974 kg. was obtained.

SIGNS OF INDUSTRIAL ACTIVITY

While there has been no sudden industrial revival in 1928, all the available data point to gradual improvement.

In the 25,856 factories and workshops considered in compiling the above data, the number of workers in daily employment rose about 9%. The total number of hours worked rose 14% in the same period.

Thus the general situation has undoubtedly improved although conditions in the leading trades are still unsatisfactory. The extension of tax exemptions to all classes of dwell-

	January	February	March	April	May
Unemployment.....	439,211	413,383	411,785	356,795	306,629
Short time.....	76,327	58,104	47,036	45,855	45,569
Index number for employment (Base, October, 1927 = 100)...	97.06	99.02	102.07	102.78	105.94
Index number for total number of hours worked (Base, October, 1927 = 100).....	91.38	94.06	99.03	95.10	104.53
Index number for average number of hours per man (Base, Octo- ber, 1927 = 100).....	94.50	95.54	96.68	91.64	97.91
Number of firms which have gone out of business.....	382	..	205	222	145
Number temporarily suspending business.....	4,598	..	2,286	2,121	1,132
Number of new firms starting busi- ness.....	123	..	88	132	85
Number reopening after tempo- rary suspension.....	440	..	634	2,221	445
Number of firms working short- time.....	2,865	..	1,924	1,503	1,426
Number of firms working on shifts	2,005	..	952	1,007	642
Number of firms working with re- duced staffs.....	3,352	..	1,980	1,849	1,880
Number of firms working over- time.....	807	..	1,853	1,336	1,315
Number of firms increasing staffs	1,537	..	2,144	2,713	2,940

ing houses and shops, made at the beginning of the year to relieve depression in the building trades, and the credit facilities afforded for certain classes of houses have led to some renewal of building activity; but the restrictive law on rents and conditions of lease, and dear money still hinder a general revival. The production of steel and iron in the first four months of the year compares as follows with that in 1927:

	Pig Iron (Metric Tons)		Steel (Metric Tons)	
	1927	1928	1927	1928
January.....	43,477	25,795	147,837	121,875
February.....	46,612	24,525	141,431	123,339
March.....	48,782	33,504	147,634	155,171
April.....	49,514	37,981	148,548	146,226
May.....	49,253	41,515	147,472	174,004

On the whole, conditions in the important textile trades have improved. Silk reeling and spinning is still depressed; in the silk weaving mills, manufacturers have taken active measures to reduce costs, and the latest available data, for

April 23 to April 28, show 83.4% of the silk looms at work, as compared with 79.7% for the week February 27 to March 3.

The situation in the cotton trade has improved, with exports fairly active, although consumption on the home market is below normal. At the end of 1927, the spinning mills reported 5,122,764 spindles installed, of which 86.66% were working, with orders amounting to 6,380 quintals of yarn per spindle. For two weeks of May 28 to June 9, the report covered 5,223,122 spindles, of which 92.99% were at work, with orders amounting to 6,655 quintals of yarn per spindle. For the weaving sheds, the statistics show that during the period December 26 to January 7, a total of 132,388 looms were in use, with 114,776 employees working an average of 10.65 days, at 82.67% of their capacity. For the period May 28 to June 9, the respective figures were 132,024 looms, 117,773 workers, 11.21 days, and 86.40% of capacity. The situation in the wool industry is fairly satisfactory, especially in the worsted branch. There has been a distinct revival in hosiery and knit-goods production. The output of rayon continues to increase.

In the engineering trades, available information indicates that depression in the automobile factories is somewhat relieved. The splendid records recently achieved by Italian engines show that technical progress is going ahead. In ship-building, Italy continues to hold the third place in Europe and the fourth place in the world.

The Italian chemical trades, whose development since the war has been remarkable, report fairly good conditions with steadily declining unemployment. The sugar refineries are preparing for an active campaign in view of the prospects for a larger crop of sugar beets on an acreage 20% larger than that in 1927.

FOREIGN TRADE STATISTICS

The foreign trade statistics for the first five months show a decline of 843.9 million lire for imports and of 974.4 millions for exports. An examination of the detailed figures available up to April 30, shows that the decline is essentially one of values; for instance, textile exports totaled 6,416,079 metric

tons in the first four months of 1928, as against 5,959,978 metric tons for the corresponding period in 1927, but the money value stood at 1,636.7 million lire instead of 1,855.7 millions. So with such leading agricultural exports as cheese, rice, fresh and preserved fruits, and tomato paste, smaller money returns have been received for larger quantities. The decline in values registered does not, therefore, reflect reduced exporting activities.

PRICES

With the stabilization of the currency, the wholesale price index has varied but little from month to month, the trend being a gradual rise. The most marked change has been a rise of ten points during the six months for vegetable foods, caused by conditions on the home market.

BACCH PRICE INDEX NUMBERS

(Base, the average price in 1920 = 100)

	January	February	March	April	May	June
Vegetable foods.....	121.3	122.2	125.3	127.2	132.1	131.6
Animal foods.....	96.5	94.8	95.8	95.2	92.6	93.1
Chemical products.....	59.3	58.7	58.7	57.8	56.8	56.3
Textiles.....	64.5	65.4	67.3	68.0	68.1	67.6
Minerals and metals.....	55.9	55.1	55.0	54.9	54.7	55.3
Building materials.....	78.0	77.6	77.5	76.1	75.7	75.9
Plant products.....	124.4	123.8	122.2	124.6	123.7	112.7
Miscellaneous goods.....	106.7	105.7	103.6	104.3	102.9	102.6
General index number (base, 1920) ..	89.3	89.0	89.6	89.9	90.1	89.6
General index number (base, 1913) ..	557.8	555.7	559.7	561.6	562.6	559.7

In 1927 the average quotation for gold in Italy was 377.181 and the index for gold prices averaged 139.4. In the second week of June, 1928, gold was quoted at 366.80 and Italian gold prices stood at 134.4. The cost of living index (first half 1914 = 100) stood at 555 in January, 1927; at 480 in January, 1928; and at 483 in April, 1928.

RAILWAY AND SHIPPING

Railway traffic has been adversely affected by the trade depression, but a comparison of the statistics for January and for May, 1928, reflects a gradual improvement:

	January	May
Number of cars loaded on the lines.....	474,855	550,500
Number of cars loaded at ports.....	76,774	107,876
Goods tonnage loaded on the lines.....	4,419,406	5,400,620
Goods tonnage loaded at ports.....	1,117,198	1,605,389

The figures for goods entering and clearing Italian ports show improved activity—3,104,000 tons in April, as compared with 2,476,000 tons in January. On the other hand, figures for steam tonnage laid up show practically no change during the five months for which data are available. In January, 1928, 156 ships with a gross tonnage of 315,950 tons were laid up, of which eighty-four, with a tonnage of 153,880 tons, were laid up for economic reasons. In May, similar statistics show 156 ships, with a gross tonnage of 419,701 tons, of which seventy-one, with a tonnage of 140,131 tons, are laid up for economic reasons.

BUSINESS ACTIVITY

The slight trend toward a rise in commodity prices has led to an increase in the volume of business on the home market. This is reflected in the rise in the daily averages of Clearing House transactions which, if the variations in the value of the lira and of prices are taken into due account, were even higher than in the prosperous business year of 1925:

DAILY AVERAGE OF CLEARINGS FOR THE KINGDOM

Year	Paper Lire (In Millions)	Gold Lire (In Millions)	In Relation to Commodity Prices (Bachi Index)
May, 1925.....	2,232.7	470.9	407.4
May, 1926.....	2,970.3	539.7	498.5
May, 1927.....	1,881.3	525.7	379.1
May, 1928.....	2,024.2	552.6	435.4

The advances made by the Bank of Italy increased from 836 million lire in January to 1,044.3 millions in May, 1928; on the other hand, discounts fell during the same period from 3,519.5 millions to 2,936.5 millions.

In January, 1928, the tax on sales, which reflects business activity, yielded 48 million lire as compared to 58.3 millions in the corresponding month of 1927; in May, the respective

figures were 57.7 millions as against 58.4 millions, indicating business recovery.

In considering the number of business failures as an indication of business conditions (5,069 in the first five months of 1928 as against 4,150 in the corresponding period of 1927), it must be remembered that the elimination of the unfit is an important item in the program of readjustment which accompanies deflation and stabilization.

PUBLIC WORKS

Since the leasing of the urban telephone lines to private companies, marked progress has been made in the development of the service; the automatic now replaces the central call system in all the cities of North and Central Italy; it will be completed for Naples before the end of the year, and is being gradually extended to the whole country. Like activity is shown in developing the long distance telephone lines, which now have a length of 121,273 kilometers. The service has been greatly improved by the laying of underground cables, now completed for the Turin-Genoa-Milan circuit, which has been leased to the S. I. R. T. I. Company, and is proceeding rapidly for the Milan-Rome cable, to be extended to Naples. Italy now has fifty-eight international telephone lines as against twenty in 1922.

The growth of motor traffic has made the building and upkeep of roads a matter of ever-growing importance. This duty has now been transferred from the Ministry of Public Works to the Autonomous State Road Corporation, established by Decree Law in January, 1928, with powers which ensure prompt, coordinated action and up-to-date technique. It is now engaged in rebuilding 6,000 kms. of national roads.

A new impetus has been given in 1928 to land reclamation, which deals not only with the drainage but also with the agricultural utilization of the land, its division into farming units, and the regulation of water courses for irrigation. So far, 1,226,949 hectares have been thus reclaimed; work is now going on to reclaim a further 568,196 hectares, and 589,858 hectares more have been surveyed and registered as suitable for reclamation.

THE MONEY MARKET

The situation on the money market has grown easier during the half year. The bank rate has fallen from 7% in January to 5½% in June, and the open market rate on commercial paper now stands at 5%. The rate for long time credit is, however, still at a high level—7.5% to 8%. Negotiations are going on between the Confederation of Italian Industries and the Confederation of Banks with a view toward joint action to reduce the cost of money by encouraging direct investment by the public in productive enterprises. In 1928, there have been practically no foreign loans to business enterprises, which were so marked a feature of 1927, but debentures have been placed for considerable amounts on home market to finance hydro-electric developments, land reclamation and other public utilities.

THE SECURITY MARKET

The index numbers for the leading groups of industrial securities (Base, Dec., 1922 = 100) show steady recovery during the first five months of 1928, with a set-back in June, reflecting the similar movement on the markets of New York, London, Paris, etc.

	January	February	March	April	May	June
Banks.....	126.13	125.90	123.28	143.25	146.73	138.41
Insurance companies.....	288.06	301.90	290.37	341.37	332.27	290.10
Mining.....	138.33	157.87	138.81	149.42	142.95	136.17
Metal trades.....	114.09	116.44	117.32	135.35	127.64	108.57
Engineering.....	74.16	73.63	73.26	81.04	88.20	75.48
Automotive.....	126.42	130.55	128.83	151.47	152.74	144.98
Chemical.....	120.82	125.36	124.66	140.03	141.82	137.32
Textile.....	105.61	103.65	107.52	125.31	127.18	111.09
Sundry manufacturing.....	114.34	114.34	106.87	117.15	119.57	115.51
Agricultural, food.....	117.46	117.84	116.67	135.19	137.77	129.95
Electrical.....	132.55	137.35	134.88	152.37	157.24	149.05
Real estate.....	160.76	159.53	159.69	187.55	190.21	178.08
Building.....	93.15	92.73	94.08	109.43	105.46	102.00
Aqueducts, spas, baths.....	159.23	167.82	166.91	185.87	205.03	190.41
Hotels, restaurants, theaters....	121.19	116.52	106.03	103.01	105.03	92.25
Merchandising and trading.....	93.49	93.46	92.82	101.03	100.54	99.07
Transports.....	112.65	112.84	114.75	128.11	125.72	117.11
General index number.....	129.29	130.49	129.76	148.82	151.25	139.95

CAPITAL ISSUES

The culminating figure for capital issues in Italy was that of 8,062.7 million lire, which represents the net investment of new capital secured in the inflation year, 1925. It fell sharply to 3,931.8 millions in 1926, and again to 1,840.1 millions in 1927. The figures for the first five months of the current year show a slight advance over the corresponding period of 1927 (983,734,649 lire against 831,409,509 lire) and the indications are that 1928 will show a distinct advance over the previous year.

INDUSTRIAL POLICIES

The trend in business is toward concentration and rationalization, with a view to reducing production costs. The Government favors amalgamations by reducing registration fees on them to a minimum fixed charge up to the end of June, 1929. Important amalgamations have taken place in the shipping, hydro-electric, chemical, textile, and rayon industries, and others are announced for the automobile and engineering trades. Rationalization is also improving the organization of production and distribution, but the special conditions of Italian industry, which require quality and rarely allow of mass production, as well as the conditions of the labor market, make it necessary to proceed with caution in this field.

NATIONAL FINANCE

The economic situation, which is one of gradual convalescence from inflation, revalorization and stabilization, is reflected in the budget. As was to be expected, the increased value of the lira, and the industrial depression are reflected in the reduced yield of taxation (4,376.7 million lire from direct, and 2,792.3 millions from stamp and sales duties in the first eleven months of the current financial year, as against 4,621 millions and 3,346.3 millions in the corresponding period of the 1926-1927 budget). The year will close, however, with a surplus of two or three hundred million lire, and the "balanced budget," the basis of Fascist financial reform, is amply safeguarded.

THE BANK OF ISSUE

The half year has seen the ratification of the new convention between the Central Bank of Italy and the Treasury. The fixed limit to the note circulation is replaced under the new regulations by the requirement that all sight liabilities be covered by a reserve in gold or equivalent credits of not less than 40% of their total value. Temporary advances to the Treasury may not exceed 450 million lire, and the provisions by which the latter could demand special advances from the Bank, in the form of notes, are repealed. When the lira was stabilized in December, 1927, the total circulation stood at 18,775.1 million lire; on May 31 it stood at 17,104 millions, while total reserves had risen from 12,105.9 millions to 12,173.8 millions, affording a cover of 59.22% to all sight liabilities at that date.

All extra budgetary accounts opened in the war years, covering such items as the advances of the Central Bank of Italy to the Treasury, the issue of Treasury bills (now converted into consolidated stock), the accounts between the Treasury, the Bank of Italy, and the National Exchange Institute, are now definitely closed, and the Bank of Issue has again acquired the full measure of independence needed for the exercise of its duties as supreme regulator of national credit.

GOVERNMENT POLICY

In closing this brief report, which reflects the effort the country has made in all fields of economic endeavor to adjust itself to the new level of values and prices, it is proper to state that the major factor which has made it possible to face and to overcome the very grave difficulties of the situation has been the steady, unswerving policy pursued by the Government, and the unruffled tranquillity which has prevailed throughout the country. Wage adjustments have been effected by agreement, and only on two occasions, one of which concerned agriculture and the other the merchant marine, has recourse been taken to the Labor Courts to make settlement.

The new labor laws, which eliminate the possibility of

strikes and lock-outs while providing adequate machinery for conciliation and adjustment, have worked smoothly and have brought about relations of friendly collaboration between employers and employed, alike interested in promoting production and national prosperity. A striking illustration of this fact was given at the first National Industrial Congress, called on June 22 of this year by the General Fascist Confederation of Italian Industries, and attended by 6,000 manufacturers. The presence at this Congress of the Head of the Government, the Ministers of Finance, National Economy, and Communications, the General Secretary of the Fascist Party, and the President of the General Fascist Confederation of the workers organizations, afforded tangible evidence of the spirit of collaboration now existing among all categories and classes, working within the orbit of the State under the direct auspices of the Government, which represents the interests of the Nation as a whole—a collaboration in which, however, as Sig. Mussolini stated in his inaugural address to the Congress, “the management of, and the responsibility for, the business are unequivocally vested in the manufacturer.”

ECONOMIC CONDITIONS IN BELGIUM DURING THE FIRST HALF OF 1928¹

Report of Messrs. Georges Theunis, Minister of State, and Emil Francqui,
Vice-Governor, Société Générale de Belgique, Brussels

THE return to stable money caused a considerable advance in variable-income securities. Furthermore, a wave of speculation, encouraged by advances on foreign stock exchanges, moved up security rates to a very high level. Cash and time markets kept, in general, extremely firm until the end of February. A reaction then took place, affecting particularly those securities which speculation had moved to excessive levels. Securities of the state, on the other hand, maintained an excellent tone.

During the month of March a reprisal was noted, particularly in the case of securities which had been affected by the preceding movement. During the first half of April the cash market witnessed a considerable advance, the time market lagging somewhat. Toward the end of the month activities slowed up. At the beginning of May the market was still very active, movements toward advances taking place in various departments. This firmness of the cash market prevailed until the end of May, the time market being less active. At the beginning of June a serious slackening was manifest and the time market registered considerable decreases.

There was a downward tendency in the cash market, which was likewise affected in an almost general way until the end of June. In the time market the downward movement was noticeable all along the line. The liquidation operations were marked by some failures. This downward movement was intensified by that of the foreign stock exchanges. A slightly quieter tone was manifest again during the last days of the month of June. Volume of business is much reduced.

¹Translated by the National Industrial Conference Board.

SECURITIES

Taking as a base the rates on January 1, 1928, represented by 100, the changes occurring in the rates of twenty fixed-income securities and 110 variable-income securities were as follows:

	Fixed-Income Securities	Variable-Income Securities
February 1.....	101.9	107.9
March 1.....	105	107.7
April 1.....	104.4	123.5
May 1.....	104	128.7
June 1.....	102.5	129
July 2.....	102.9	120.7

DISCOUNTS AND INTEREST RATES

The official discount rate of acceptances and domestic bills, which was 7% in December, 1926, fell gradually to 4.5%. The rate of 4.5% was in effect January 1, 1927. It remained stable during the whole of the first half of 1927. On July 2 it fell to 4%.

The discount rate of foreign bills and promissory notes was 5% during the first half of the year, while that of government securities remained 6%. In the open market, commercial paper was discounted at rates varying around 4.25%—from 3.75% to 4.43%. Financial papers were discounted at rates varying from 4% to 4.812%. Call money varied from 1% to 4.5%.

The interest rate on bank deposits remained stable at 1.5% for sight deposits, and at 4% to 4.5% for fifteen-day deposits (for the latter deposits, the rate varied from 4.35% to 4.93% at the Caisse de Reports). From this must be deducted the amount of the state tax, or 15%.

The State Savings Bank gives 4% and 3%, according to the importance of the deposits. The higher rate is accorded to deposits not exceeding 20,000 francs. Capital available remained very abundant. During the first five months of 1928 the total capital issues, stocks and bonds, were raised to 5,128 million francs, against 2,124 millions during the corresponding period of 1927, which had been considered as active.

INDUSTRIAL PRODUCTION

The coal market is still going through the depression which is affecting all the European fields. Nevertheless, stocks which have reached a maximum of 1,847,180 tons in December, 1927, are decreasing slightly but almost constantly. Prices remain low.

The average monthly production has increased from 293,583 tons in 1913 to 448,877 tons in 1927.

Extraction of Coal

	1927	1928
January.....	2,345,740 tons	2,408,090 tons
February.....	2,251,330	2,260,148
March.....	2,477,400	2,515,910
April.....	2,280,380	2,223,040
May.....	2,233,730	2,228,160
June.....	2,262,570	2,378,050

Production of Coke

January.....	435,820 tons	480,980 tons
February.....	393,870	455,480
March.....	432,880	495,330
April.....	440,100	480,990
May.....	461,050	506,140
June.....	447,690	489,250

RAILWAY ACTIVITY

The numbers of cars furnished to industry, departing from Belgian stations during the first six months of 1927 and of 1928, were as follows:

	1927	1928
January.....	424,755	449,711
February.....	407,393	452,300
March.....	465,588	513,833
April.....	438,553	452,135
May.....	451,466	470,061
June.....	456,682	482,951

The figures for 1928 show a noticeable increase as compared with corresponding months in 1927.

The numbers of carloadings from foreign railroads, comprising cars in transit, were as follows for the two periods:

	1927	1928
January.....	191,279	173,104
February.....	177,615	165,003
March.....	193,681	177,021
April.....	177,337	159,285
May.....	179,812	168,023
June.....	180,424	166,196

RAILROADS

A noticeable increase in railroad profits and receipts is revealed in 1928 figures as compared with corresponding months of 1927. Similarly, an improvement occurred in the coefficient of utilization.

<i>Receipts</i>		
	1927	1928
January.....	227,005,000 francs	233,128,000 francs
February.....	213,184,000	222,698,000
March.....	238,077,000	249,176,000
April.....	243,483,000	242,544,000
May.....	241,140,000	244,623,000
June.....	244,747,000	243,700,000

<i>Profits</i>		
	1927	1928
January.....	25,707,000 francs	34,874,000 francs
February.....	11,311,000	18,448,000
March.....	14,961,000	33,352,000
April.....	34,717,000	41,053,000
May.....	35,547,000	38,357,000
June.....	43,036,000	34,100,000

<i>Coefficient of Utilization</i>		
	1927	1928
January.....	88.68	85.04
February.....	94.68	91.72
March.....	93.76	86.61
April.....	85.74	83.07
May.....	85.26	84.33
June.....	82.42	86.00

FOREIGN EXCHANGE

Belgian exchange rates remained firm, being constantly at a slight premium over the dollar. Belgian exchange rates are quoted in belgas—one belga equals 5 francs.

Dollar Exchange, Parity—7.19193

	1927	1928
January.....	7.1916	7.17128
February.....	7.1919	7.1815
March.....	7.1936	7.17209
April.....	7.1932	7.16
May.....	7.1966	7.163
June.....	7.1997	7.161

Pound Sterling Exchange, Parity—35

	1927	1928
January.....	34.90	34.9673
February.....	34.884	35.0096
March.....	34.923	34.9996
April.....	34.934	34.95
May.....	34.957	34.966
June.....	34.963	34.946

TAX RECEIPTS

During the first quarter of the year, taxes exceeded the budgetary provisions by over 570 million francs. The tax returns are considerably higher than those of the corresponding months of the preceding year.

	1927	1928
January.....	640,351,000 francs	758,060,000 francs
February.....	576,831,000	682,422,000
March.....	645,119,000	780,399,000
April.....	628,536,000	735,003,000
May.....	641,000,000	822,000,000
June.....	585,000,000	791,000,000
Total for half year.....	3,718,000,000 francs	4,577,000,000 francs

INDEX OF PRICES

The wholesale price index number is constantly decreasing but the retail price index for 1928 is higher as compared with the corresponding months of 1927. The retail price index has fallen and again risen slightly. The changes have not exceeded 2%.

<i>Wholesale Prices</i>				
	1927		1928	
	In Paper Francs	In Gold Francs	In Paper Francs	In Gold Francs
January.....	856	123.4	851	123
February.....	854	123.1	848	122.6
March.....	858	123.6	848	122.6
April.....	846	121.9	847	122.6
May.....	848	122.6	844	122.1
June.....	851	123	844	122.1

<i>Retail Prices</i>			
	1927	1928	
January.....	755	813	118
February.....	770	811	117
March.....	771	806	116
April.....	774	807	117
May.....	776	805	117
June.....	785	811	117

CONDITION OF BANKS

From January 1, 1928 to July 12, 1928, the amount of notes in circulation has varied from 10,281,610,000 francs to 10,915,649,000 francs. On July 12 the notes in circulation amounted to 10,764,552,370 francs. The reserve against sight obligations in gold or in foreign exchanges was never

less than 54.75%. On July 12 it was 55.90%. Furthermore, the portfolios of foreign bills held by the National Bank considerably raised this reserve. On July 12, 1928 the National Bank held 4,014,748,747 gold francs.

The Savings Bank shows an excess of deposits over withdrawals. The deposits at the Savings Bank have slightly decreased, the stock exchange having attracted more capital than during last year:

	1927	1928
January.....	80,564,000 francs	95,051,000 francs
February.....	51,067,000	43,296,000
March.....	42,013,000	24,000,000 ¹
April.....	52,581,000	39,000,000 ¹
May.....	45,981,000	27,000,000 ¹
June.....	43,284,000	27,000,000 ¹

¹ Provisional figures.

CLEARING HOUSE FIGURES

The movement of capital cleared has notably increased as compared with the same period of 1927. The increase is particularly noticeable during the course of the last two months:

	1927	1928
January.....	28,673,000,000 francs	35,587,000,000 francs
February.....	28,661,000,000	33,627,000,000
March.....	34,933,000,000	39,786,000,000
April.....	30,772,000,000	36,501,000,000
May.....	31,715,000,000	41,645,000,000
June.....	29,300,000,000	41,305,000,000

POSTAL ORDER MOVEMENT

The average of debit and credit registrations for 1927, which was 19,701,000,000 francs, has been greatly exceeded during the first six months of 1928:

	1928
January.....	22,573,000,000 francs
February.....	21,294,000,000
March.....	23,463,000,000
April.....	22,698,000,000
May.....	23,202,000,000
June.....	24,138,000,000

UNEMPLOYMENT STATISTICS

Unemployment, lower than before the war, has been declining constantly since the beginning of the year 1928.

The total days lost as a per cent of the total of days which the workers insured against unemployment might have worked are shown below:

	1927	1928
January.....	3.43%	3.18%
February.....	3.12	2.22
March.....	2.36	1.56
April.....	2.38	1.40
May.....	2.25	1.29
June.....	1.92	1.30

COMMERCIAL BALANCE

The commercial balance has considerably improved as compared with the corresponding months of 1927. The imports and exports are shown in thousand francs.

	Imports		Exports	
	1927	1928	1927	1928
January.....	2,169,862	2,356,582	1,723,998	1,951,782
February.....	2,263,998	2,580,050	1,870,949	2,593,968
March.....	2,730,727	2,995,160	2,379,997	2,739,024
April.....	2,430,887	2,401,594	2,170,830	2,167,397
May.....	2,478,287	2,539,532	2,024,253	2,366,988
June.....	2,535,503	2,617,494	2,161,468	2,401,058

The percentage figures of exports to imports for the same period were as follows:

	1927	1928
January.....	79.45%	82.82%
February.....	82.64	100.54
March.....	87.16	91.45
April.....	89.30	90.25
May.....	81.68	93.21
June.....	85.25	94.04

SHIPPING MOVEMENT AT THE PORT OF ANTWERP

During the first five months of 1928, 4,823 ships arrived, having a capacity of 9,997,000 tons. These figures represent an increase of 1.34% in the number of ships and 4.93% in tonnage, as compared with the corresponding period in 1927. During the first five months, 4,763 vessels cleared as compared with 4,763 during the same period in 1927. A strike of dockers, fortunately of short duration, will affect the figures for July.

The number of vessels entered during the first six months of 1927 was 5,692,000 as compared with 5,567,000 in 1928.

Tonnage entered during the first six months amounted to 11,540,000 tons in 1927 as compared with 11,575,000 in 1928.

STOCKS OF COAL

The comparative stocks of coal for the first six months of 1927 and the first six months of 1928 show an increase in the latter year:

	1927	1928
January.....	350,410 tons	1,781,410 tons
February.....	705,560	1,816,940
March.....	1,104,110	1,793,100
April.....	1,275,020	1,694,130
May.....	1,201,620	1,512,080
June.....	1,111,380	1,418,600

The numbers of workers employed in the coal mining industry during the two periods compare as follows:

	1927	1928
January.....	174,683	171,097
February.....	178,960	168,501
March.....	177,521	165,888
April.....	175,907	164,181
May.....	174,096	163,051
June.....	174,926	160,581

PRODUCTION OF STEEL, IRON AND ZINC

Figures for 1928 show a considerable increase in production of steel as compared with 1913, and a noticeable increase as compared with 1927.

The monthly average of the production of raw steel in 1913 was 205,552 tons. In 1927 that monthly average had increased to 308,445 tons. The production by months is shown below:

	1927	1928
January.....	312,590 tons	315,650 tons
February.....	296,830	310,410
March.....	314,625	326,480
April.....	301,070	305,110
May.....	318,590	325,160
June.....	299,770	328,910

The same averages for the production of finished steel were 154,922 tons for 1913 and 255,185 tons for 1927.

	1927	1928
January.....	259,040 tons	277,870 tons
February.....	245,230	260,290
March.....	269,740	277,070
April.....	237,700	259,090
May.....	252,180	276,250
June.....	242,230	291,750

Production of pig iron is considerably higher than the average for 1913 and noticeably higher than that of 1927. The monthly production averaged 207,058 tons for 1913 and 312,617 tons for 1927.

	1927	1928
January.....	316,430 tons	314,580 tons
February.....	292,620	302,000
March.....	314,340	326,720
April.....	309,920	313,220
May.....	318,750	328,810
June.....	302,010	321,340

After having exceeded the corresponding figures of 1927, the production of zinc shows a downward trend. The monthly average for 1913 was 17,019 tons as compared with a monthly average for 1927 of 16,803 tons.

	1927	1928
January.....	17,130 tons	17,860 tons
February.....	15,780	16,790
March.....	17,560	18,030
April.....	16,870	17,050
May.....	17,240	15,840
June.....	16,470	16,990

ECONOMIC CONDITIONS IN SWEDEN DURING THE FIRST FIVE MONTHS OF 1928

Report of Mr. Marcus L. Wallenberg, Chairman, Enskilda Bank,
Stockholm

GENERAL SURVEY

LABOR conflicts in some of the most important staple industries (wood, paper, pulp and iron ore) can be said to have caused an interruption in the, as a whole, favorable trend of 1927. A certain ease, however, was noticeable after the settlement on April 8 of the conflict in the lumber and paper industries. In spite of repeated attempts of mediation, the mining was still lying by, when on August 7 the parties again were called to a meeting before the Special Arbitral Commission.

The consequences of the labor conflicts gradually showed themselves in different ways. In figures, they have first been perceivable in the market statistics by a diminution in the exports of staple goods.

A consequence of the decrease in sales was that the funds in foreign currency of the Bank of Sweden began to diminish. From the beginning of the year to the end of April they decreased thus from about 260 million kronor (1927, 207 millions) to 135 million kronor (1927, 169 millions). On May 1 the Bank of Sweden considered it advisable to raise its rate from $3\frac{1}{2}\%$ to 4% . The foreign currency funds, however, continued to decrease and by the end of June they had been reduced to less than half of their amount at the beginning of the year. A feeble amelioration took place in June. As the season has now begun when, as a rule, the resources abroad are increasing, there is reason to expect that the foreign currency funds of the Bank need not longer be in demand to any conspicuous extent. However, the possibilities for avoiding a further raise in the bank rate are also dependent on the development on the money-markets abroad, especially in the United States and in London.

FOREIGN TRADE

The balance of trade has been considerably influenced by the labor conflicts. The excess of imports for the first five months of 1928 was thus 200 million kronor as compared with only 41 millions during the same period in 1927. Nearly half of the diminution, however, falls on increased imports, and the value of the export is, in spite of the conflicts, greater than in the years 1924 to 1926. Imports of agricultural products, copper, pig iron, coke and gasoline increased; those of sugar, tobacco and motor cars decreased.

	Imports (Million Kronor)	Exports (Million Kronor)	Excess of Im- ports (Million Kronor)
January to May, 1926	583	470	113
January to May, 1927	605	545	60
January to May, 1928	680	478	202

Exports in the more important industries for the first five months of the two years showed a decline for 1928.

	Exports		
	Lumber (Thousand Cubic Meters)	Paper and Board (Thousand Tons)	Iron Ore (Thousand Tons)
January to May, 1927	1,076	164	3,329
January to May, 1928	913	113	850

The branches unaffected by the labor conflicts have been in a rather favorable state of trade. The improvement has been most prominent in the engineering industry; the export figures indicated below bear evidence of a not inconsiderable increase in comparison with those of last year:

	Exports for January to May (Million Kronor)			
	1925	1926	1927	1928
Electric motors, generators, etc.	6.58	10.59	12.53	18.06
Combustion and explosion motors.	4.16	5.36	5.90	5.87
Separators.	10.85	14.74	12.48	11.59
Roller and ball bearings.	8.28	9.95	9.31	12.82
Telephone and telegraph apparatus.	2.51	2.35	3.36	4.65
Mowers.	2.07	2.79	2.40	2.38

Further, it is to be noted that the export of superphosphate has shown a considerable increase. In spite of the mining conflict it has been possible to maintain the export of pig iron, although at a somewhat decreased rate. The export of other sorts of iron is somewhat lessened.

DOMESTIC CONDITIONS

The index for wholesale prices for December, 1927, was 148 (1913 = 100), in May, 1928, it was 152, and in June, 1928, was 151.

Leaving out of question the non-employment due to the labor conflicts, the official figures of non-employment show a considerable decrease during the current year in comparison with the same period last year. Shipping has, since last December, been less active than in the preceding year. The freight market has shown a continuous weakness, and the freight level is calculated to be about 20% lower in May, 1928, than in the same month in 1927.

The harvest prospects are uncertain, because of the unfavorable weather, and the harvest of this year might possibly not reach the average.

The first half of 1928 was characterized by low rates of interest in spite of extensive labor conflicts in export industries and consequent following decreases in the foreign currency resources of the Swedish banks. The further consequences of the conflicts—especially of the mining conflict—and the increases of the bank rate in the United States, caused by the situation on the American money market, make a general stringency on the Swedish money market probable during the second half of 1928. Although the engineering industry and the main part of the lumber industry are still finding good markets for their products, the situation on the international money market and in the main industries of Great Britain and Germany indicate that a decrease in activity on the big produce markets is to be expected. It is therefore to be recommended that the export industries avail themselves of all opportunities offered. The progress of the last years should, however, not be jeopardized by a passing depression in general business conditions.

ECONOMIC CONDITIONS IN SWEDEN DURING THE FIRST FOUR MONTHS OF 1928

Report of Mr. Oscar Rydbeck, President, Skandinaviska Kreditaktiebolaget, Stockholm

ON May 1 the Swedish Riksbank raised its discount rate from $3\frac{1}{2}\%$ to 4% and the rediscount rate from 3% to $3\frac{1}{2}\%$. It had been expected for some time that the Bank would take this step, since its foreign balances had been materially reduced during the last months. At the end of December, 1927, the Bank's foreign balances amounted to 263.51 million kronor, but at the end of April they had diminished by 126.96 millions, 26.15 millions of this reduction occurring in the last ten days of that month. This decrease was due to the unfavorable development of our foreign trade which in its turn was caused by the extensive and prolonged labor disputes.

INDUSTRIAL CONFLICTS

The industrial conflicts commenced in the paper pulp industry and at the iron mines in Mid-Sweden, where lock-outs were declared as from January 1, and were soon extended to other fields. On January 23 the workers in the Lappland mines went on strike, a lock-out was declared at the saw mills on January 30, and at the paper mills on March 3. At that time 57,000, or more than one-eighth of all industrial laborers, were out of work because of these conflicts. By Easter an agreement was reached in the paper pulp and paper industries, as well as at the saw mills, and work was resumed after the holidays. In the mining industry, on the other hand, negotiations have broken down. It is evident that the stoppage of work in these industries, which produce nearly half the value of our exports, should have a great effect on the balance of trade.

During the first four months of the year, the surplus of imports over exports amounted to 134.5 million kronor as

against only 55 millions during the corresponding period of the preceding year. This increase would naturally cause a drain on the foreign exchange reserves of the banks. Exchange rates on gold standard countries, which are unusually low during the autumn months, have risen gradually; the pound is now quoted at 18.19½ against the low record of 18.07½ in 1927, while the dollar is still below par, the present quotation being 3.725⁄8. The lowest quotation in 1927 was 3.70½. The rise in discount rates had, on the whole, no effect on foreign exchange rates; after a slight setback during the first days of May, they rose again to the same level as before the change.

STOCKS AND BONDS

The Stock Exchange has been very active during this year. The leading securities have been the shares of the Svenska Tändsticks A. B. (Swedish Match Company), and the A. B. Kreuger and Toll, but other companies have also shown material advances in prices, and on the whole, quotations are on a higher level than at the end of last year. The growing interest for investments in shares has paved the way for new issues, and several companies have increased their share capital during the last months. The A. B. Svenska Kullagerfabriken (ball-bearing manufacturers) and the A. B. Separator have followed the example of the Kreuger concern in issuing B-shares with reduced voting power, which have been introduced on foreign stock exchanges—the shares of the former company on the London Stock Exchange and those of the latter company on the bourses at Amsterdam and Geneva.

The big exporters of telephone apparatus, the Telefonaktiebolaget L. M. Ericsson, have recently decided to increase the share capital by about 20 million kronor in B-shares. It has been a feature of recent company finance that big export undertakings such as the above mentioned companies have attracted foreign capital without letting the controlling interest pass over into the hands of foreigners. Moreover, since the Swedish company law stipulates that foreigners are not allowed to own shares representing more than one-fifth

of the total voting power in Swedish companies, recourse can not be had to foreign capital markets without the creation of shares with reduced voting power.

The bond market was very active during the first months of the year and new issues were coming freely on the market. Industrial loans were issued at 5%, with an issue price of 100 or 101%; the purpose of the issues was, as a rule, to redeem old loans in order to take advantage of the low interest rates. The labor disputes and the tightening of money rates in the United States tended, however, to depress prices, and the market had, on the whole, discounted the rise in the official discount rate, which had a very slight effect on bond prices.

UNEMPLOYMENT

The unemployment figures are still high in comparison with pre-war conditions, but they are lower than in 1927. The problem of how to deal with the unemployed has been the subject of discussions and investigations ever since the post-war slump, and a committee which was appointed in 1926, composed of economists and representatives of employers and workers, has recently published its report, which deals mainly with the question of unemployment insurance, labor exchanges, etc. The committee has not been able to present a unanimous report, since several members hold that recent experiences in England have shown the risks and disadvantages of the unemployment insurance. They have, however, worked out alternative schemes for compulsory and voluntary insurance against unemployment, but the costs of these schemes to the State are so high that there is very little prospect that the Government will take up either of them. The unemployment question has once again proved to be one of the social problems which are the most difficult to solve.

ECONOMIC CONDITIONS IN CANADA DURING THE FIRST HALF OF 1928

Report of Sir Henry W. Thornton, Chairman and President, Canadian
National Railways, Montreal

ECONOMIC conditions and trends revealed during the first six months of 1928 are eminently satisfactory, and fully justify the feeling of optimism which has been so persistent for some time past throughout the Dominion of Canada. Our leading banking organizations probably have the best means of knowing actual conditions throughout the country and I can think of no better source of vital information. Their monthly bulletins without exception indicate a very sound and prosperous situation. Here are a few quotations apropos the general situation:

BANK OF MONTREAL SUMMARY, JULY 23, 1928

Nothing has occurred during the last four weeks to mar the prospect of a bountiful harvest nor to diminish the volume of current business. It may be said, indeed, that conditions commercially have never been better in Canada, nor prospectively have held out greater assurance of reasonable continuance. To this situation, excellent harvests of three successive seasons have been an important contributing factor, and prevailing confidence in business circles is founded upon belief that this year's crop yield will at least compare favorably with that of 1927 and may even exceed it, given propitious weather during the next six weeks. A larger area has been sown to grain in the Prairie Provinces, the lowest estimate of increase being a million acres and the highest nearly two million acres. There has been adequate moisture with continuous heat, and save an odd exception here and there over the vast territory, conditions leave little to be desired.

In the several branches of production and manufacture, a substantial degree of activity continues. Mineral output is

large, with prospects of expansion in the not remote future in respect to gold, copper and lead. Iron and steel manufacturers are well employed; the boot and shoe industry maintains recent improvement. Textile mills hold up under the strain of foreign competition although operating under capacity; distributing trades find business better than of late years and retail business maintains its volume, to which end a large influx of tourists contributes. Indeed, the latter has become an important factor in summer trade, estimate being made that not less than \$250,000,000 will be spent in Canada by American tourists to redress the adverse balance of trade with the United States.

Reflecting and contributing to general prosperity is unabated activity in the building trade, and of the construction of houses and offices there is yet no end. All principal cities have shared in these undertakings.

ROYAL BANK OF CANADA, JULY BULLETIN

Canada approaches the middle of the year with statistics of building permits, iron and steel production, employment, trade, and bank returns all showing an advance upon the prosperity of 1927. This is particularly gratifying in view of the adverse tendency in the United States.

The amount of new building undertaken continues to break all records. According to the MacLean Building Reports, Limited, the contracts awarded during May, 1928, exceeded those of May, 1927, by 51% and the total for the five-month period ending May 31 was \$196,331,220, an increase of 41% over the same period last year.

The production of iron and steel serves as an index of manufacturing activity. From January to May, the production of pig-iron showed an increase of 11%, and that of steel 24%, over that produced during the corresponding period of a year ago. Such plants are operating at, or near, capacity and a substantial amount of new business is in sight.

CANADIAN BANK OF COMMERCE, JULY LETTER

The conditions which affect the primary industries during the current season largely determine the course of business

throughout the year, and fortunately they are at this date, with the exception of those of pulp and paper, more favorable than in the generally prosperous year of 1927. The foregoing conclusion is based chiefly on the healthy development of the western wheat crop, which is entering the most critical period of its growth in the best possible condition.

There is further improvement to record in the lumber industry, for while weakness is still evident in some foreign markets, the demand is large in Canada and the United States.

The recent developments affecting mining have been entirely favorable, and the production of all metals, except silver, is at a record level, while prospecting for undiscovered deposits and the development of promising properties are on the largest scale ever known. The results of deep-sea fishing have so far been satisfactory, and if the summer catches are of normal volume the season should prove to be more successful than was the case last year.

The latest reports on the output of iron and steel show that the producers have experienced the most favorable conditions, as far as volume of business is concerned, since the period of inflation following the war. The monthly average of iron production during the first half of 1927 was the highest since 1920, and that of steel the highest since 1918, though the industries have not yet operated at full capacity. Curtailment is usually expected during mid-summer, but as the leading producer has large unfilled orders on hand, this should not be so marked as in former years. The automobile industry, after several months of uncertainty due to the new Ford policy, returned to normal conditions in April, and its production in May was the largest in its history.

Official statistics of car loadings, production of electrical energy, railway earnings, building construction, employment, etc., are all indicative of prosperity:

Car Loadings

Car loadings in Canada (all railways), excluding cars received from connecting railways, for the latest period available, January 1 to July 21, are given below for the years 1928, 1927, and 1926. The loadings for 1928 show an in-

crease of 199,657 over 1926 and of 107,131 over 1927 figures, or 12% and 6.1% respectively.

Year	Loadings
1928.....	1,863,733 tons
1927.....	1,756,602
1926.....	1,664,076

Production of Electrical Energy

Great progress in the production of electrical energy from 1923 to 1927 is shown in the following table compiled from data collected by the Royal Bank of Canada:

Year	Kilowatt Hours	Index 1923 = 100
1927.....	432,382,000	184
1926.....	342,373,000	145
1925.....	278,604,000	118
1924.....	252,528,000	107
1923.....	235,635,000	100

These figures represent energy produced for Canadian use only. Data for the half year ending June 30, 1928, are not yet available but it is reported in the May letter of the Royal Bank that production of electrical energy for the first quarter of 1928 exceeded that of the corresponding period of 1927 by 15.4%, and that of 1926 and 1925 by 44% and 77.7% respectively.

Railway Earnings

Gross earnings of the Canadian National and Canadian Pacific railways, operating over 80% of Canadian railway mileage, afford a very good index of the trend in Canadian business. Substantial increase is shown for the first half of 1928 over the corresponding period of 1927. The latter period was one of good business:

Year	Gross Earnings
January to July, 1928.....	\$212,184,000
January to July, 1927.....	195,699,000
Increase.....	\$16,485,000 or 8.4%

This increase does not fully indicate the increased volume of traffic handled, because of rate reductions which took effect during the summer of 1927.

Building Construction

Building statistics for sixty-three Canadian cities for the first six months of each year from 1920 to 1928 follow:

Permits Issued in First Six Months		
Year	Value	Index
1928.....	\$101,606,000	165
1927.....	80,843,000	131
1926.....	78,760,000	128
1925.....	65,900,000	107
1924.....	60,674,000	98
1923.....	73,047,000	118
1922.....	71,282,000	115
1921.....	55,772,000	90
1920.....	61,755,000	100

The value of permits issued during the first half of 1928 was nearly \$21 million, or 25.7%, in excess of the issues during the corresponding period of 1927, the previous high level. In this connection it should be remembered that wholesale prices of building material during these two periods averaged considerably less than in any of the preceding eight years, in fact more than 30% less than in 1920.

Employment

Employment statistics show a steady upward trend since 1924. Taking the situation as of July, 1924, as a base of 100, the composite index for all industries is as follows:

Year	Index
July 1, 1924.....	100
July 1, 1925.....	101
July 1, 1926.....	108
July 1, 1927.....	113
July 1, 1928.....	121

The groupings covered by the above indices are shown below, and reindexed to show the trend of employment in each industry:

Year	Manu- fac- tures	Log- ging	Mining	Com- muni- cations	Trans- porta- tion	Con- struc- tion	Ser- vices	Trade
July 1, 1924.....	100	100	100	100	100	100	100	100
July 1, 1925.....	101	89	97	101	97	107	100	102
July 1, 1926.....	108	103	95	106	101	123	103	107
July 1, 1927.....	112	90	102	110	105	134	110	116
July 1, 1928.....	120	95	108	106	108	150	123	128
Relative weight of group, July 1, 1928..	54	2	5	3	13	14	2	7

It will be observed from the relative weights shown for the groups that the decline in the logging index is negligible and that over 80% of the industrial employment is in the manufacturing, transportation and construction groups, wherein substantial gains are indicated.

While employment statistics are very helpful in picturing the progress of industry, they do not tell the whole story. The mining industry, for example, has increased its employment only 8% in five years and at present provides only 5% of the total industrial employment. New mining projects are being undertaken almost daily, and those of proven worth which are being brought to the producing stage will greatly increase employment in the near future and add materially to the industrial activity of the country.

Volume of Foreign Trade

The physical volume of Canada's foreign trade has increased heavily in recent years. Export trade for the year 1927 doubled that of 1914, while import trade increased 35% in the same period.

The values of Canada's foreign trade in May of this year and of last year compare as follows:

	May, 1928	May, 1927	Increase	%
Imports.....	\$113,582,000	\$94,412,000	\$19,170,000	20.2
Exports.....	118,021,000	108,783,000	9,238,000	8.5
Total trade.....	\$231,603,000	\$203,195,000	\$28,408,000	14.5

For the five months ending May 31 the figures are:

	1928	1927	Increase	%
Imports.....	\$478,041,000	\$432,840,000	\$45,201,000	10.4
Exports.....	455,101,000	454,354,000	747,000	0.2
Total trade.....	\$933,142,000	\$887,194,000	\$45,948,000	5.2

For the twelve months ending March 31, they are:

	1928	1927	Increase	%
Imports.....	\$1,108,956,000	\$1,030,893,000	\$78,063,000	7.8
Exports.....	1,250,456,000	1,267,573,000	-17,117,000	-1.35
Total trade.....	\$2,359,412,000	\$2,298,466,000	\$60,946,000	2.65

It is noticeable that the excess of exports over imports is diminishing. This is a disturbing factor in the minds of manufacturers of certain lines and a talking point for politicians of the opportunist variety, but in an economic sense it is natural and healthy.

In view of the generally prosperous condition of the country and the excellent prospects for a bountiful harvest, the total foreign trade figures of Canada for 1928 may confidently be expected to show a substantial increase over 1927.

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TABLE OF CONVERSION

Foreign currencies were converted into dollars at the following rates of exchange:

- Germany*, par, 23.8 cents per reichsmark;
- Great Britain*, par, \$4.86 per pound sterling;
- France*, present currency, par, 3.91 cents per franc; pre-war currency, 19.3 cents per franc;
- Italy*, par, 5.26 cents per lira;
- Belgium*, par, 36 francs to the dollar or 13.9 cents per belga;
- Sweden*, par, 28.8 cents per krona;
- Mexico*, average rate of exchange for 1922, 48.4 cents per dollar; average for 1927, 47.2 cents per dollar;
- Colombia*, par, 12.16 cents per peso;
- Japan*, current rate of exchange, 45.8 cents per yen;
- Australia*, par, \$4.86 per pound sterling.

